The CREDIT WORLD

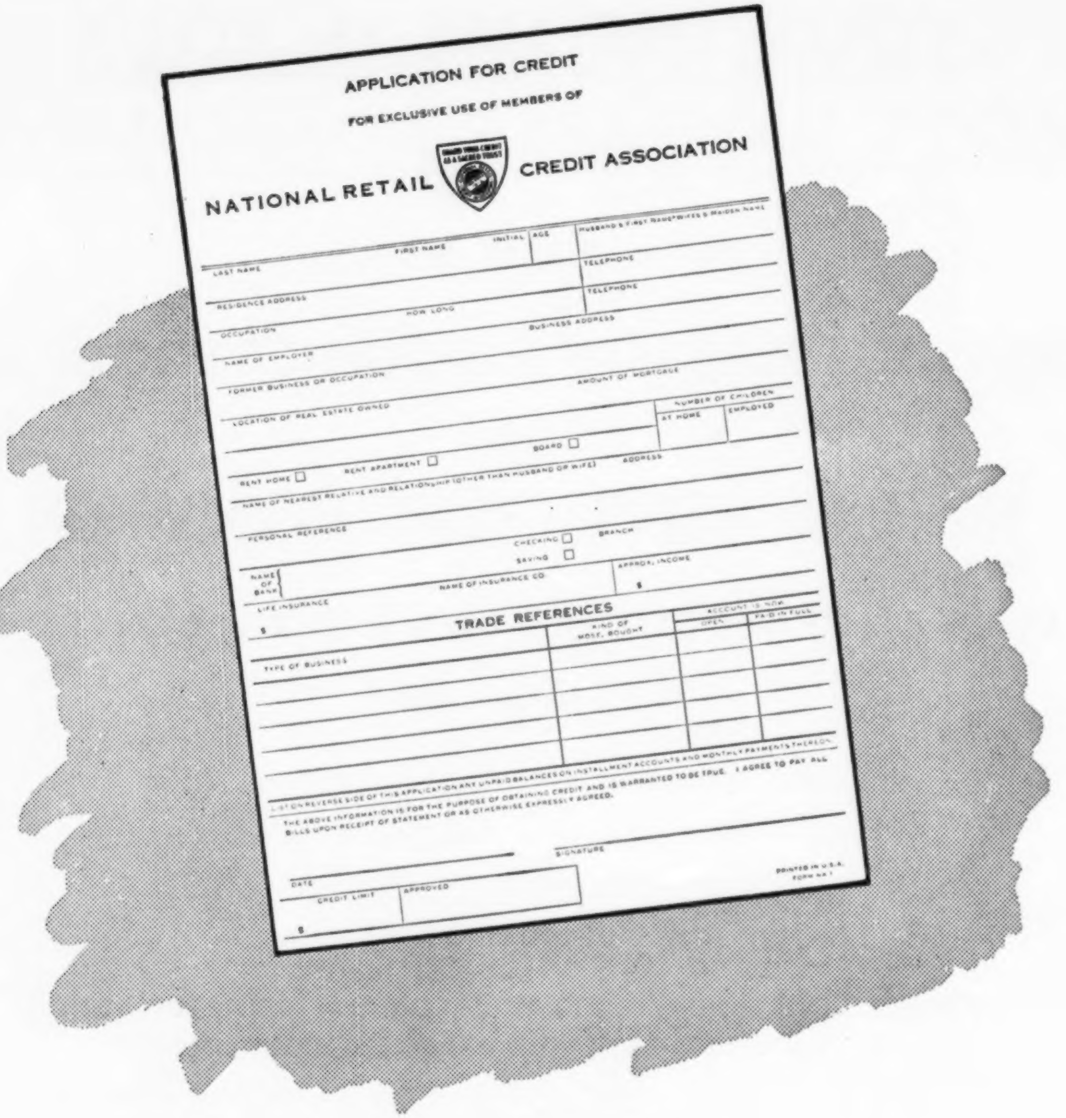
the only publication serving the entire field of consumer credit

VOLUME 49 SEPTEMBER 1961 NUMBER 12

in this issue

What Douglas Wants From the Consumer Credit Profession
Credit Management in the Expanding 60's
Methods of Stating Consumer Finance Charges
How Youth Views Business
Only the Disciplined Are Free
Personal Certification Program for Credit Executives
State Legislation
The Credit Clinic
Consumer Credit Outlook

Over 51,000 credit executives read THE CREDIT WORLD every month



APPLICATION FOR CREDIT

FOR EXCLUSIVE USE OF MEMBERS OF

NATIONAL RETAIL CREDIT ASSOCIATION

LAST NAME | FIRST NAME | INITIAL | AGE | HUSBAND'S FIRST NAME/WIFE'S MAIDEN NAME

RESIDENCE ADDRESS | TELEPHONE

OCCUPATION | HOW LONG | TELEPHONE

NAME OF EMPLOYER | BUSINESS ADDRESS

FORMER BUSINESS OR OCCUPATION

LOCATION OF REAL ESTATE OWNED | AMOUNT OF MORTGAGE | NUMBER OF CHILDREN: AT HOME, EMPLOYED

RENT HOME ☐ RENT APARTMENT ☐ BOARD ☐

NAME OF NEAREST RELATIVE AND RELATIONSHIP (OTHER THAN HUSBAND OR WIFE) | ADDRESS

PERSONAL REFERENCE

NAME OF BANK | CHECKING ☐ SAVING ☐ | BRANCH

LIFE INSURANCE | NAME OF INSURANCE CO. | APPROX. INCOME $

TRADE REFERENCES

TYPE OF BUSINESS | KIND OF MDSE. BOUGHT | ACCOUNT IS NOW: OPEN, PAID IN FULL

LIST ON REVERSE SIDE OF THIS APPLICATION ANY UNPAID BALANCES ON INSTALLMENT ACCOUNTS AND MONTHLY PAYMENTS THEREON.

THE ABOVE INFORMATION IS FOR THE PURPOSE OF OBTAINING CREDIT AND IS WARRANTED TO BE TRUE. I AGREE TO PAY ALL BILLS UPON RECEIPT OF STATEMENT OR AS OTHERWISE EXPRESSLY AGREED.

SIGNATURE

DATE | CREDIT LIMIT $ | APPROVED

PRINTED IN U.S.A. FORM NO. 1

Four Good Reasons—

—Mr. Manager of Credit Sales, why you should be using this new revised Application for Credit:

1. **Designed for you by outstanding authorities who are N.R.C.A. members.**
2. **Gives you the important information to properly evaluate the account.**
3. **Helps your Credit Bureau prepare report by providing all necessary information.**
4. **Your customer will appreciate the ease and speed of the interview.**

Size 6" x 9", 100 to the pad.
100—$1.50, 500—$6.00, 1,000—$10.00
Postage is extra

NATIONAL RETAIL CREDIT ASSOCIATION

375 JACKSON AVENUE ST. LOUIS 30, MISSOURI

The CREDIT WORLD

the only publication serving the entire field of consumer credit

Editor ARTHUR H. HERT *Associate Editor* LEONARD BERRY

Executive Vice President WILLIAM H. BLAKE

Washington Counsel: John F. Clagett, 301 E. Capitol St., Washington 3, D. C.

Advertising Representative

Samuel N. Turiel, 430 N. Michigan Avenue, Chicago 11, Ill., DElaware 7-3511.

Volume 49 **September, 1961** **Number 12**

Features

5 What Douglas Wants From the Credit Profession
PAUL H. DOUGLAS

8 Credit Management in the Expanding 60's
KENNETH R. HARDESTY

10 Methods of Stating Consumer Finance Charges
DR. ROBERT W. JOHNSON

14 Youth in Business
NATION'S BUSINESS

16 Only the Disciplined Are Free
J. C. PENNEY

17 The Price of Liberty
ALAN S. JEFFREY

19 Professional Certification Program for Consumer Credit Executives

Departments

4 From the President's Pen

18 Local Association Activities

20 People and Events

22 Credit Department Communications

24 State Legislation

25 From the Nation's Capital

26 Consumer Credit Outlook

29 The Credit Clinic

CIRCULATION OF THIS ISSUE **54,000**

The Credit World is published monthly by the National Retail Credit Association for the benefit of its members. Non-member subcription price is $5.00 a year. Publication office, The Von Hoffmann Press, 105 South 9th Street, St. Louis 2, Missouri. Correspondence relating to Editorial, Circulation, or Advertising should be addressed to the executive offices, National Retail Credit Association, 375 Jackson Avenue, St. Louis 30, Missouri, PArkview 7-4045.

Please advise us immediately ***of any change in your address to avoid interruption in receiving The Credit World. Give both new and old address as it appears on the address label.***

Second-class postage paid at St. Louis, Missouri.
Printed in the United States of America by The Von Hoffmann Press.

From the President's Pen

Each For All and All For Each

"THE THREE MUSKETEERS" by Dumas, had as their motto, "Each for all and all for each." In this union, they found strength and victory. Men need each other. In the words of a popular song, "No man is an island; no man stands alone. We need one another." Nearly two thousand years ago, the Great Teacher taught that man is his brother's keeper and experience proves that, "in unity, there is strength."

In early human history, men thought of toil as being a curse and deemed it unworthy of free men. To avoid it, they robbed and despoiled their neighbors. Eventually, instead of slaying their captives, they enslaved them and lived by their labor. Even Plato, "the greatest of the Greeks," looked with disdain upon manual labor and built his Republic "upon the backs of slaves."

The modern observance of Labor Day reveals a vast change in man's attitude toward work. Noble men, now joyfully sing, "My Master was a worker, with daily work to do, and he who would be like him must be a worker too." In the best sense, labor and management constitute a team; they belong together. Their peculiar services may differ but neither can live well without the other.

The conduct of the public schools, which open this month, offers a challenging area for cooperation. One group of citizens prepares to teach and the community supplies the pupils to be taught. In appreciation for the service rendered by the teachers, they are paid by the community. Thus, children are equipped for citizenship and the values of society are perpetuated.

The National Retail Credit Association is another vital area of community cooperation. Its members know that "No man lives unto himself and no man dies unto himself." Not shallow sentimentalism then but sound reasoning assures men that they need each other. In cooperation, they find strength and achievement. Thus, the enlistment of new members serves both them and their national organization.

L. A. Brumbaugh

PRESIDENT, *National Retail Credit Association*

What Douglas Wants From The Consumer Credit Profession

An exclusive CREDIT WORLD interview with Senator Paul H. Douglas, (Dem. Ill.) author of Senate No. 1740, "Truth in Lending Bill."

1. What are the practices or conditions in the field of consumer credit which S. 1740 would correct?

Today the typical borrower or buyer is faced with a bewildering variety of methods of stating consumer credit costs. Often he is not able to clearly understand or compare credit prices or terms offered by various sellers or lenders.

This is not conjecture on the part of the sponsors of S. 1740. Numerous surveys and studies have clearly demonstrated that borrowers and buyers do not get accurate and understandable information about costs of credit. For instance, Theodore Yntema, Vice President of the Ford Motor Company, stated before the Senate Hearings on Automobile Financing:

> "The variety and complexity of finance and insurance arrangements and the charges for them are such as almost to defy comprehension. It is impossible for the average buyer to appraise the rates for the finance and insurance services offered, as compared with alternatives available elsewhere."

Because of the many different methods of stating the price of credit the borrower-buyer is both unaware of the true costs involved and unable to shop around and compare alternative credit prices offered by different lenders and sellers.

Certainly those in the credit business are well aware of the many methods of stating credit prices. For example, let us take the following common practices:

- 1. No rate is quoted. The borrower is merely told that the charges will be so many dollars per month and so many dollars down.
- 2. The borrower is quoted an add-on or discount percentage rate.
- 3. The borrower may be quoted an add-on or discount rate and may also be charged numerous extra fees.
- 4. The price of credit is disclosed to the borrower in terms of an all inclusive simple monthly rate.
- 5. The borrower is accurately informed about the price of credit and the charges are stated in terms of a simple annual rate.

This variety in rate statements only misleads and deceives the consumer. I defy anyone who is not expert in mathematics or the practices of the consumer credit field to be able to compare credit costs stated in these many ways and wisely shop for credit.

Let me make it clear that this bill does not prevent any lender or vender from continuing to use the locally sanctioned methods of disclosing the cost of credit. S. 1740 merely requires that credit extenders must **also** disclose the price of credit in a standard and meaningful way so that borrowers and buyers can use credit intelligently.

2. The stated purpose of the bill is "to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit." Would you elaborate on this statement?

The relationship between consumer credit and economic stability and instability has been clearly recognized. In their 1956 study on consumer credit the Federal Reserve Board devoted considerable space to analyzing the relationship between consumer credit and economic instability. But perhaps the easiest way to clarify this purpose of the bill is to quote from the testimony presented to the Committee by the President's Council of Economic Advisers in support of S. 1740:

> "Actually, the cost of credit is a natural countercyclical influence on the timing of credit purchases and repayments, and the purpose of the bill is to increase the efficacy of this mechanism. The cost of credit normally rises in periods of boom and inflation and falls in periods of recession. This natural cycle in credit charges, reinforced by monetary and credit policy, is a stabilizing force in the economy.
>
> "However, the stabilizing effect of changes in credit costs depends on awareness by consumers that the changes have occurred. If buyers are ignorant of the true costs of credit, they are less subject to influence by cost changes. By increasing consumer awareness, this bill will help to make the cyclical fluctuation of credit costs a more stabilizing influence on the economy.
>
> "Increased information available to prospective credit buyers will also help to make monetary policy effective. The Federal Reserve and Treasury try to moderate economic fluctuations through changes in credit conditions, . . . If consumers are better informed about credit costs, they will surely be more sensitive to variations in credit conditions, and consumer demand will be more responsive to basic monetary policy."

Of course, the bill serves other purposes too.

First, I believe it is crucial that legislation such as S. 1740 be enacted to protect not only the consumer but also to protect the ethical and honest merchants and lenders from the unethical elements in their industry.

Second, S. 1740 would also invigorate ethical competition in the consumer credit market. One witness last year described the economics of this bill as:

> " ". . . part and parcel of the purest of classical economics and the basic principle of the free enterprise systems – the rational informed many buying in the free marketplace with full knowledge of prices, and making a decision which is best for him, and therefore, best for the entire economy."

Third, the Federal Reserve Bank of Philadelphia, in the April 1960 issue of its **Business Review,** stated that a real burden on the economy—

"occurs because consumers often buy on time in an uninformed way without knowing the cost of the money they are borrowing. When they do this, they not only hurt themselves, but they reduce the efficiency with which the economy provides goods and services in accordance with consumer taste."

In short, Federal Reserve officials suggest that the growth of the economy is jeopardized when consumers are misled about the price of credit.

I believe that the purposes of the bill and the need for this legislation have been clearly spelled out during the hearings over the past two years.

3. It has been argued that disclosing true interest rates might substantially reduce consumer borrowing and buying. How valid is this argument?

Some critics of S. 1740 have charged that the purpose of the bill is to stop or severely restrict the use of consumer credit.

This charge is untrue.

Consumer credit has become a vital part of our economic life and a vital force in our economic growth. It can either be a great boon to our economic system in promoting growth and stability. Or if many of the abuses are not corrected it will continue to have a destabilizing effect on the economy.

In regard to the specific effects of the bill – over the business cycle I would not expect any massive change in the **total volume** of consumer credit if S. 1740 were enacted. I do not agree with those who fear that consumers will be so badly shocked when they learn the true price of credit that our economy will be plunged into a recession or depression.

When I hear people say that to tell the truth about credit costs will ruin business, I am reminded of Stephen Leacock's remark in his story "Homer and Humbug" – "My friend, the professor of Greek, says that a knowledge of the classics has made him what he is. This is a grave charge, if true."

Similarly, it is a very grave charge for anyone to say that telling the truth would ruin business. My mind goes back to the passage of the Securities and Exchange Act, when the New York Stock Exchange warned that to require them to tell the truth about stocks and bonds which they sold would ruin their business. Fortunately, Congress and the Administration had a more robust faith in the power of truth and went ahead and passed the S.E.C. Act. This has been beneficial for all concerned. I am confident that a similar "truth" act for credit would benefit ethical sellers and lenders as well as buyers and borrowers.

4. Isn't the total dollar cost the most accurate measure of the cost of credit? Is there any need for the simple annual rate requirement?

It is true that the total dollar cost may be the most accurate measure of the cost of any one credit plan, but in many cases the total dollar costs of various credit plans cannot be easily compared. Different lenders offer loans for different lengths of time. For instance, how many borrowers realize the difference in the annual rate on a $500 loan to be repaid in equal monthly payments of $30 for 18 months versus 24 months. The simple annual rate on the 18 month loan is approximately 9%. The simple annual rate on the same loan for 24 months is approximately 40%.

Or, suppose the borrower is offered $500 at $30 a month for 18 months by one lender versus $500 at $25 per month for 24 months by another lender. How many borrowers would realize that the lower monthly payment for 24 months amount to approximately 17%, or almost double the rate charged for the same loan amount for 18 months at $30 per month.

Similarly merchants sell a wide range of similar but somewhat different products at different prices. The buyer in these cases would have great difficulty in comparing credit costs offered by different sellers if he were only told the total dollar cost involved. He would have to translate these dollar costs into an annual rate to determine which merchant was offering him a better credit price.

Moreover, annual rates have traditionally been used to disclose the costs of credit in all other money markets. This information has been regarded as vital for the borrower in making investment decisions.

5. Do you anticipate difficulties for lenders and sellers in complying with the annual rate disclosure? Would the wide variety of types of consumer credit be taken into consideration by the administering agency?

My feeling is that compliance with S. 1740 would not be difficult. One of the purposes of the recent hearings has been to explore methods which would make it easy for lenders and venders to comply with the bill. For instance, there appears to be general agreement that the constant-ratio method of determining simple annual rates is the easiest for lenders and venders to use. Under this method lenders, for instance, can take into account irregular payments and even balloon notes and still comply with the provisions of the bill without undue difficulty.

Mortgage lenders, moreover, have always used a simple annual interest method in disclosing mortgage costs. Many other lenders already use a simple monthly rate to disclose their costs. Obviously, the simple interest method has not been burdensome to these types of credit institutions. In addition, in some States small loan companies have been required to disclose their costs in terms of simple annual rate. Indeed, insofar as instalment loans are concerned, the simple interest rate method is the easiest and most accurate to use in computing and disclosing rates. For instance, a recent pamphlet printed by the Financial Publishing Company of Boston, Massachusetts states in regard to the simple interest method:

> "This plan is wholly familiar to every one in the form of the long term direct reduction mortgage. In the short term loan field it is equally familiar as used by the so-called 'small loan' companies operating in the majority of states under some version of the Russell Sage Uniform Small Loan Law. **Although reputed to be complicated it is basically the simplest of all plans."**

Of course, we are aware that in the case of various types of revolving or add-on accounts used by retail merchants there must be a reasonable interpretation of the requirements of S. 1740. It has been suggested that retailers offering such credit plans could comply with the bill in the following manner:

> "In order to avoid any burden for small merchants who extend these types of installment credit plans to their customers the following types of disclosure might be considered adequate to meet the intent of S. 1740.
>
> "1. **Disclosure of annual rate.** – The annual rate at which credit charges will be assessed against the purchaser's account could be correctly disclosed on the original credit agreement and on the monthly statements sent to customers. For instance, retailers assessing charges at a rate of 1½ percent on the monthly unpaid balance, under the rules specified above, would also be required to disclose that this monthly percent rate is equivalent to an annual

rate of 18 percent on the monthly unpaid balance.

"2. **Disclosure of total dollar costs.** – The present custom is for retailers to clearly disclose in writing the monthly charges on revolving credit plans on monthly statements sent to customers. The existing dollar disclosure might be considered adequate for the purpose of S. 1740 if retail merchants also were required to total up these monthly charges for a previous 12-month period and thus disclose to the customer on an annual basis the total dollar cost incurred on the revolving credit plan during the preceding year."

This appears to be a workable solution to the problems of revolving and add-on accounts. I would be happy to receive any comments on this interpretation of the disclosure requirements.

6. Section 4, the disclosure provisions of the bill, does not appear to permit any flexibility. Wouldn't it be difficult to comply with these provisions with complete accuracy?

I have been surprised that many parties interested in S. 1740 apparently have never read the bill in its entirety. For instance, section 5(a) reads in part:

"Regulations"

"Sec. 5. (a) The Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the provisions of this Act. Any rule or regulation prescribed hereunder may contain such classifications and differentiations, and may provide for such adjustments and exceptions as in the judgment of the Board are necessary or proper to effectuate the purposes of this Act . . ."

It should be clear that this bill delegates ample authority for the supervisory agency to spell out reasonable interpretations of the disclosure requirements of the bill in the case of unusual types of credit plans so that all lenders and venders will know exactly what is required to comply with the law. Also it has been stated repeatedly during the hearings that we do not expect a complete degree of mathematical precision in the statement of the annual rate.

I would also be happy to receive any thoughts from readers of **The Credit World** concerning the degree of latitude that should be permitted in stating the annual percentage rate.

7. Couldn't merchants evade the intent of the bill by burying the finance charge in the sales price of their merchandise thus "disclosing" an artificially low rate?

This has been a frequently repeated charge made by opponents of S. 1740. Testimony from several sources has, I believe, made it clear that any such hiding of the cost of credit would not be significant. For instance, the Council of Economic Advisers testified:

"Some sellers, it is true, may attempt to evade the provisions of the bill by raising their stated 'cash prices' to include and to disguise credit charges, even at the risk of losing some cash customers. However, consumers are usually free to make cash purchases elsewhere. They can therefore compare prices offered them in connection with their time purchases with the competitive prices of the same merchandise purchased for cash. Even in the case of products where the bulk of purchases are made on time, consumers are likely to be better able to judge the competitiveness of stated cash prices than they are to distinguish between the bewildering variety of credit terms they now face. Deceptive quotation of 'cash prices' could persist only in markets where cash sales are infrequent and competition is weak because of monopoly or collusion. I believe that the American economy is essentially competitive enough so that circumventions of provisions of this bill will generally be short-lived."

Other witnesses last year testified that:

"There seems to be some fear that if this bill were enacted, merchandisers who are extending credit concurrently with the purchase of goods would simply lower their financing rates and boost up or 'pack' the prices of articles sold. This fear, we believe, is groundless. Normal price competition in the sale of goods in local markets would prevent this from occurring and protect honest merchants for the following reasons:

"(a) The merchandiser must first sell his product before customers will use his credit plan.

"(b) Consumers carefully shop for goods and services when prices are fully disclosed or stated explicitly.

"(c) Attempts by a merchant to hike prices on goods to make his finance charges appear to be more attractive would simply drive his customers into the stores of his competitors.

"(d) Those customers who needed credit to purchase particular goods would shop for credit at 'Independent' lenders and make cash purchases or patronize a lower priced, cash-and-carry merchant.

"In short, honest merchants should have nothing to fear. The normal workings of price competition in the marketplace would deter any unscrupulous merchants from attempting to pervert the intent of the bill."

Moreover, if merchants can easily hide the cost of credit by raising the price of their goods and services, why have they not done so already? I fail to see why merchants or lenders would conscientiously comply with State laws that require some sort of disclosure of the cost of credit but would deliberately evade a Federal law.

There is a more disturbing aspect of this charge against the bill. Representatives of retailing have suggested in testimony before the Committee that retailers not only **could** but **would** gouge the customers by "packing" the prices of their goods and services while hiding the credit costs. As I have indicated previously, I do not believe this is possible; but I would suggest that this is an incredible argument for representatives of a major segment of American business to present to a Congressional Committee.

I certainly do not believe that the thousands of honest and reputable merchants are being well served by anyone who testifies before Congress that if we should attempt to require a full disclosure of credit costs merchants would only find other means to deceive the public. I completely reject this suggestion and I am sure that you do also.

8. Wouldn't the policing of this Act be difficult and expensive?

No. On the contrary, the penalties in the bill are designed to make S. 1740 self-enforcing and, therefore, self-policing.

The penalty provisions of S. 1740 are modeled after the better State laws – penalties which seemed to minimize the problem of enforcement by the supervisory agency, and, at the same time, encourage maximum compliance with the law by the parties affected. These penalty provisions are not new. They have been tried and tested in various States.

Of course, I would be happy to accept any suggestions for improvement in this section of the bill.

(Turn to "Douglas," page 15.)

Credit Management in the Expanding 60's

KENNETH R. HARDESTY

Credit Sales Manager, Prago-Guyes, Greensboro, North Carolina

CREDIT MANAGEMENT is today faced with new challenges and opportunities. The forces of the last decade which brought a flourishing American economy have lead us into a complete new era for the 60's. Demand is not the irresistible force experienced during the 50's when the consumer credit outstandings tripled. We experienced during this period a great surge in our credit economy due to many factors of the post war era. Growth in the 60's cannot be expected on the same basis or be controlled by the same techniques. It now takes more than new births and vast shifting in population to raise the pace of business activity. We can expect to experience different types of markets than we had in the 50's which will require new skills and control by credit management.

Unfortunately, many stores still feel that granting credit is a simple matter and the maintenance of accounts receivable still simpler. The granting of credit has become a technique unto itself, and the maintenance of accounts for control and collection requires still other skills and techniques. The lack of these requirements will cause a store more than its share of bad accounts and loss of profitable credit sales during these expanding 60's. There will be many who will not survive the test because of their lack of this essential understanding.

Credit management must now polish the crystal ball of their own image and look forward to the great challenges of the new era. All forecasts predict that a new expansion of consumer credit is coming. Improvement in personal incomes, factory sales, steel production and automobile sales have spurred the optimism for an upturn in the economy. The Federal Reserve Board reports that over 50 million American families owe less than $1,000 personal debt, with over 24 million having no debt at all.

The country has a growing number of people experienced in the use of credit who own personal assets which provide equities of sound financial security. These consumers are a constant source for added credit sales volume. More people are expected to use credit facilities in these expanding 60's, and our present customers will use it even to a greater extent in keeping pace with the modern way of American living.

Advancements in the "space age" will raise the standard of living for future generations with new market demands through technological advances and research. Credit granters must be prepared for a continuation of this upward trend. New markets for credit sales are being opened and credit selling is fast becoming more competitive. Only the alert and agressive credit sales manager will be able to capture this new credit sales volume. It will require imagination and creativity in our credit sales promotions.

Credit sales managers must look at top management's attitude toward credit promotion; at the credit plans we offer to our customers, and determine if they meet present day needs. We must up-grade the operation of the credit department and carry out a continuous training program of our credit personnel for maintaining good customer relations necessary for gaining our share of increased credit buying.

A revolution in credit granting is taking place with credit standards becoming subordinated to sales goals. This new philosophy has liberalized credit, and the tremendous growth in the use of option terms has set the trend for no down payment requirements on other credit plans, including instalment credit buying. Two of the retail giants, Sears, Roebuck Company and Montgomery Ward Company have, for the first time in history, dropped all down payment requirements. This trend has been followed by other leading retailers which will surely toughen credit buying competition, forcing others to no down payment whether they like it or not. Such universal practice in the credit field will require more complete credit investigations and better credit controls exercised by all credit granters if a sound economy is to be maintained.

Our credit granting, in many instances, has not kept pace with the times. Many people, who in the past were considered very poor credit risks, have now benefited from a continued economic development. Our retired and elder citizens provide an increased market for credit sales which is worthy of new insights. Many of the policies which we used to observe vigorously are today questionable. We must constantly review our credit policies to keep up to date with the changing conditions and they must be kept flexible at all times. Our concept of what constitutes a good or poor risk must often times be reviewed.

Credit management and the credit bureau have great challenges to meet together in the years ahead. The Credit Bureau of today must not supply data to protect the credit granter; but, more important, it must help him to learn who are the desirable credit customers. The Credit Bureau must become credit sales-minded to render this important service.

Broader investigations will be necessary to enable the credit granter to do more business profitably; to select all good credit risks possible; to prevent acceptance of too many slow and unsatisfactory credit risks; and to eliminate taking on the "won't pays" and unworthy credit applicants. The obtaining of upgraded trade information will be absolutely essential. All tools must be put to use for promoting sound use of credit to minimize credit losses during the years ahead.

Methods of evaluating credit must be analyzed and up-graded. We must review the "capacity" of a customer more closely to prevent overloading by "easy credit" buying. This will require more factual and up-to-date information. Credit granters must cooperate with the Credit Bureau in reporting ledger experiences and derogatory information in order to maintain self restraint for a sound credit economy during the expanding 60's. We con-

stantly see examples of unwise handling of credit risks, many of which end up in bankruptcy. Some analysis of this situation points to ineffective or lack of consumer credit controls by credit granters. Should we not unite our effort to provide for better credit control? Should we not streamline and up-grade our credit-checking functions for the wise granting of credit and establish effective credit controls within our community for achieving the successful goals we must attain?

The "eyeball" system of credit granting in our modern economy can lead only to disaster. We have learned by experience that the person with a past credit history and current record of many slow pay or collection accounts will surely be slow pay or uncollectable with us. We can avoid a possible crisis for the customer, ourself, and other credit granters by not extending further credit to the consumer who is already "overloaded" with credit obligations. Such consumers are in need of credit counseling and re-educating in the wise and proper use of credit. A united effort of all credit granters and the credit bureau can effectively meet and accomplish this great challenge and prevent the need of restraint by outside forces. We will then provide a substantial increase in the number of "open to buy" consumers, making new demands on the market—an essential factor for an expanding economy.

The credit card industry is faced with a pressing problem of delinquency. Over the past two years, several credit card companies have failed, and others are endeavoring to survive by possible merger. Inexperience in credit control has been the major factor for these failures. The credit card industry has learned the hard way that full cooperation among credit granters, even in the same competitive field, is essential in order to reduce delinquency.

An increase in past-due accounts turned over to professional collection agencies has been reported over the past year. In one small city alone, a collection agency reported receiving over $300,000 in accounts for collection in 1960 and nearly that same amount has already been received by the same agency for the first five months of 1961. This points, without doubt, to inadequate credit investigation procedures in the granting of credit and certainly indicates the need for better credit control.

We must establish a program of credit education for our customers, gain their confidence and help them to enjoy the maximum benefits of wise credit buying. We must guide them in the use of the type of account best suited to their needs and capacity to pay. We must provide ready help to customers who are found to be in need of credit counseling—work out a solution to their problems, turning them into opportunities for better customer relations.

Coordinate your efforts with other credit granters having mutual interest in order to realize maximum effective results. Are you aggresive and willing to adjust to changing conditions; or satisfied to just grope along, relying on experience of the past? Such philosophy will be dangerous for the future.

In promoting a sound and profitable credit economy for the 60's, I would suggest that we seriously explore and develop our market of junior citizens—our business insurance for tomorrow. Over 18 million boys and girls now range from 15 to 20 years of age; and by 1970 this number is expected to increase by 63 per cent. The teen-ager has not only proven to be a dynamic consumer in his own right, but a powerful influence on total family buying. Credit sales managers should look carefully at the enticing prospects of this vast new field which should lead to a profitable new line of credit sales business if properly controlled.

We can classify these young people into three major groups:

1. Those still in school handling part-time jobs.

2. Those below age of legal responsibility who are handling full-time jobs.

3. Those considered still "minors" by law, but who are married and have between them one or two salaries as a basis for credit.

These groups of accounts should be given careful orientation in the sound use of credit and then treated with every possible courtesy and consideration as the adults. However, they require careful investigation and a watchful, guiding eye at all times with close collection follow-up procedures.

In a recent survey of 253 stores, 33 per cent offered some type of credit to teen-agers with an average number of 100 accounts. Most stores require parent's approval before opening an account of those still in school but handling part-time jobs; but only a small percentage required parents to sign for the teen-ager. The percentage of loss on junior and teen-age accounts has been reported by major stores to be less than one-half of one percent.

Let us join forces in full cooperation for obtaining a better analysis of our credit risks, improving our customer relations for more profitable credit sales, and for effecting positive credit control in the building of a sound credit economy during these expanding 60's. Credit management can then meet the challenging obligations to ourselves, our customers, and to our profession. ●

Methods of Stating Consumer Finance Charges

DR. ROBERT W. JOHNSON
Professor of Business Administration, Michigan State University

(From CONSUMER FINANCE NEWS)

THE PROPOSAL that finance charges on all forms of consumer credit be stated at annual rates has had a simple appeal to many groups for a long period of time. In 1930 Evans Clark, Director of the Twentieth Century Fund, wrote in his book, *Financing the Consumer,* "All credit agencies should be required to calculate their rates on the basis of a single standard of measurement, which would show the percentage per year rate charged the borrower for the funds of which he has the actual use, and to include a statement of this rate in all their loan contracts." (P. 243) Various legislative committees, including those in Wisconsin, Maryland, and Minnesota, have recommended the eventual requirement that finance charges on all forms of consumer credit be stated as annual rates. In 1960, hearings on the Douglas Bill, the Finance Charge Disclosure Act (S. 2755), brought forth avid support for the interest-rate form of statement from labor unions, credit unions, home economists, and various consumers' representatives. In short, support for the statement of finance charges as annual rates is both widespread and of long standing. Even if the Douglas Bill is not revived in the current session of Congress, or if it is introduced but not passed, pressures for the statement of finance charges in this form will continue unabated at the state and national levels.

Over the past half century there has developed in association with each segment of the consumer credit field a particular method of stating the finance charge on the credit transaction to the consumer. In some cases the charge is buried in the selling price of the merchandise or included in the monthly payments. In the great bulk of cases the credit charge is stated in some manner—sometimes as a percentage per month, sometimes as a dollar amount. Credit unions, consumer finance companies, banks with check-credit accounts and department stores offering revolving-credit accounts state their finance charges as monthly percentages. Other credit institutions, such as sales finance companies and banks, typically state the finance charge as a dollar amount. Indeed, this is a legal decree in a number of states and a fair trade practice required by the FTC regulations for automobile financing.

While the lack of a uniform method of stating the finance charge may puzzle or confuse the outsider surveying the field, it is important to note that the user of consumer credit seldom sees the same variety of credit procedures. For example, the man whose credit rating is sufficiently high to obtain a credit limit of $5,000 on a check-credit plan is probably not concerned with the methods consumer finance companies or credit unions use to state their rates. Nor is the factory worker financing the purchase of a used car through his credit union distressed because the commercial banks in his community state the finance charge as a dollar amount rather than as a monthly percentage. His field of credit vision does not include the commercial banks.

There is nothing sacred nor perfect about these methods of stating the finance charge, but they have been developed and fixed in trade practice over many years. To change these methods would require a substantial re-education both of the consumer and of the industry. While change should not be opposed merely because it affects habits of long standing, we must ask that substantial benefits result from the dislocation and confusion that always result from a change in basic trade practices.

Arguments for Stating Charges As Annual Rates

Let us examine the arguments advanced for the expression of finance charges on consumer credit as annual rates. There are three basic assertions which shall be examined in order:

(1) A finance charge is interest and should be treated like interest.

(2) Lack of awareness of the cost of credit fosters excessive use of credit, which besides being harmful to the consumer, also threatens economic stabilization.

(3) Statement of charges as annual rates will enable consumers to shop more effectively for credit.

Finance charges vs. interest. Let us consider the important economic and legal factors that distinguish finance charges from interest. The noted economist, Alfred Marshall, recognized in 1890 that additional charges, which are not called interest, must be made for most loans: "When there is any risk that the interest and the capital will not be duly paid, a special allowance must, of course, be made under this head for insurance against risk. This is obvious, and is not often overlooked. But it is less obvious that every loan causes some

trouble to the lender; and that when from the nature of the case, the loan involves considerable risks, a good deal of trouble has often to be taken to keep the risks as small as possible; and that then a great part of what appears to the borrower as interest, is from the point of view of the lender. Earnings of Management of a troublesome business."

Observe that what the borrower lumps under the single heading of "interest" is in fact a payment for three items: Interest, risk, and service costs. On a large, single-payment loan it is entirely acceptable to call the finance charge "interest," because the dominant component is the charge for forbearance. However, the further one departs from a large, single-payment, riskless loan, the further the charge made on the loan departs from what is properly called interest. It is as if we start with pure water and gradually add various chemicals and juices. After the foreign elements have reached a certain point, we no longer call the mixture "water," or even "flavored water," but we call it "Coca-Cola." Since compensation for risks and service costs considerably outweigh the interest component of consumer finance charges, we should not treat the resulting mixture as interest.

The economic distinctions between finance charges and interest have found expression in two basic forms of legal distinction. First, a large body of cases has affirmed the common law doctrine that the difference between the time price of an article sold on credit and its cash price is legally not interest. Second, numerous state laws have implicitly or explicitly recognized the fixed, service-cost element in the finance charge on both sales credit and personal loans. Examples of such recognition are found in the graduated rates characteristic of many small loan statutes, industrial loan statutes which permit an investigation fee, the minimum charges permitted in state laws limiting the finance charge on the instalment sales of automobiles, and the refund provisions in most state motor vehicle sales finance acts.

Economic analysis, common law doctrine, and statutory law recognize the service cost component of the gross finance charge as distinct from the pure interest component. Let us set aside the controversial consumer credit area for the time being and examine the treatment of other service charges among business firms and among consumers. Do we typically find these service charges treated as annual percentages? This is clearly not the case. When a factor purchases accounts receivable, his fee is not a single "interest" charge but is broken down into two elements: the service charge taken as a percentage of the net value of the accounts purchased; and interest charge calculated at an annual rate on the daily unpaid balance owed to the factor. When business firms grant credit to one another through trade, or open book credit, they do not convert the credit charge represented by the cash discount into an annual rate. Only a portion of the charge is for pure interest, and no attempt is made in business practice to convert the service charge into an annual rate.

Customer Requirements

When the service element is clear, consumers do not ask that the charge be converted to an annual rate. Consumers do not require that commercial banks convert the monthly service charge on personal checking accounts to an annual rate. Nor have they asked that the fee for late payment of a utility bill be presented as an annual rate. For years consumers have used charge accounts at department stores without asking that the cost associated with the credit granted be segregated and stated separately as an annual percentage. In the cases cited it would be considered both peculiar and confusing to show the service cost as an annual percentage.

We are at the point, therefore, where we have shown that the present method of stating finance charges is based on long historical precedent and is consistent with the treatment of other service charges. Since finance charges are not interest, they need not be treated as interest. Nonetheless, it is still possible to ask that the finance charge be forced into an interest mold. The reasons for such a demand must rest with our two remaining assertions: Lack of awareness of the charge produces instability in the economy, and conversion of the charge to an annual rate would enable consumers to shop for credit more effectively.

Lack of awareness leads to economic instability. The assertion that consumers' lack of awareness of finance charges threatens economic stability rests on a number of assumptions of very doubtful merit. First, there is the unsupported assumption that there is excessive use of consumer credit. Second, there is the assumption that lack of awareness of the cost of credit leads to excessive use of credit. This overlooks the fact that a great deal of the demand for credit is a derived demand, a demand secondary to the demand for new cars, washing machines, and other consumer durables. But even if the tenuous relationship between lack of awareness and excessive use could be substantiated, how would this excessive use be destabilizing? It surely can not be argued that consumers suddenly become aware of the cost of credit in a period of recession but are blissfully unaware of the cost of credit during prosperity. Consequently, if consumers are using more credit than they would use if they were fully "aware" of the rates charged, then they must be using extra credit both in boom and bust. If the original assumption is correct, expression of finance charges as annual rates would reduce the use of consumer credit during a period of recession. This is certainly not to be desired. To

be entirely consistent with their implicit assumptions, proponents of this measure would have to argue for expression of finance charges as annual rates during a period of prosperity but full concealment of the finance charge from the consumer during a period of recession. It is to be hoped that some better way than this can be found to deal with the business cycle.

This argument for the statement of consumer finance charges as annual rates is of such doubtful validity that it will not be considered further.

Annual rates permit comparison shopping. The assertion that statement of finance charges as annual rates would enable the consumer to shop more effectively for credit has much greater appeal. From our economic training we recognize that markets function more perfectly when both buyers and sellers have full information. Obviously, there is a wide variety of methods of stating finance charges. A natural reaction is to ask: Isn't this very confusing to the consumer? Cannot all consumer finance charges be converted to a single form, such as a simple annual rate of interest on the unpaid monthly balance? The industry has frequently argued, most particularly at the hearings on the Douglas Bill, that consumers do not understand annual rates. While I sympathize with this argument, I do not think it wholly valid in the light of this objective. Moreover, emphasis on this argument diverts attention from other, more powerful objections that can be raised. It is difficult to prove what consumers understand. Other testimony purported to show that consumers do understand annual rates. Surely many consumers will understand enough to know that 12 per cent is higher than 10 per cent. It is a vastly more effective argument to show that even those consumers who do understand annual rates will not truly be able to compare rates charged in all fields of consumer credit. Moreover, it will be possible for the unscrupulous minority to deceive consumers and to deceive them under the halo of the apparent protection of state or federal law.

Before annual rates of charges can be calculated, it is necessary to know, among other things, the dollar finance charge and the maturity of the credit. If these figures are not uniformly available on a properly comparable basis for all forms of consumer credit, it will not be possible to calculate annual rates so that consumers can effectively shop for credit. It is at this point that the argument for the conversion of charges to annual rates falls down, and yet this is an objection that has all too seldom been raised.

Finance Charges as Annual Rates

If dealers selling on instalment credit are required to state finance charges as annual rates, it is very likely that competition will focus on these rates. Consumers find it difficult to shop and compare prices and quality on many products and services. Encouraged by well-meaning consumer groups and by the passage of legislation requiring the interest-form of rate statement, consumers could readily concentrate their attention on a comparison of the financing rates offered, rather than the quality and prices of the products offered. Dealers in automobiles and other consumer durables and those engaged in home repair and modernization could easily drive the finance charge into the cash price of the product or service. As a result they could quote very low financing rates.

To illustrate, assume that the cash price on a used car is $800. With a down payment of $200, the principal amount to be financed would be $600. On a two-year contract with an add-on finance charge of 9 per cent per year, the dollar finance charge would be $108, and the time balance, $708. The annual rate of charge is about 17.5 per cent. With the advent of rate competition the dealer could raise his cash price to $887, an increase of only 11 per cent. A down payment of $200 would leave a principal amount to be financed of $687. The addition of a finance charge of only $21 would bring the time balance to $708, as before. But now the dealer is in a position to advertise low financing rates of less than 3 per cent per annum. He can compare his low, low, financing rates with a bank rate on direct loans of 11.5 per cent, and a credit union rate of 12 per cent. Given the wide variation in quality of used cars and allowances granted on trade-ins, it is most unlikely that a consumer would detect the additional 11 per cent added to the cash price, especially when other dealers are following the same practice. Moreover, the consumer would have every reason to believe that he could rely on the advertised rates calculated in accordance with the Finance Charge Disclosure Act and administered by the Federal Reserve Board.

On a considerable portion of the instalment credit for the purchase of other consumer goods it would be absolutely impossible to calculate at the time of purchase the dollar finance charge and maturity of credit. This would be true of revolving-credit plans offered by department stores and other retail outlets. At the end of 1957 about 62 per cent of the instalment credit outstandings of department stores was on revolving-credit accounts. This would suggest that about $1.3 billion of department store instalment credit would be immune from any law requiring the statement of finance charges as annual rates. Why is this so? Strict compliance with the law requires that each customer be informed of his financing rate at the time of purchase. Yet the dollar finance charge will be entirely dependent upon the customer's habits of payment. Moreover, the maturity of credit would depend on the date of purchase. For example, a customer

buying early in the month receives a longer credit term than a customer purchasing shortly before the billing date. On the assumption of a 1½ per cent service charge per month, a few sample calculations show a range in the effective annual rate to be from 15 per cent to over 36 per cent. Thus, if a consumer wishes to buy a refrigerator on instalment, he might well find the appliance dealer quoting an annual rate of 3 per cent, the credit union and commercial bank quoting rates close to 12 per cent for direct loans for this purpose, and the department store unable to quote any rate at all for purchases on revolving-credit accounts. The result is hardly calculated to enable the consumer to shop effectively for credit.

If it is assumed that all payments will be made strictly according to schedule, it would be possible to calculate at the time credit is advanced the dollar finance charge and maturity on many types of personal loans. However, it is well known that payments are made according to schedule on only a small minority of such loans. Rather than rest the case on this argument, however, it seems more effective to point out that an interest-form of rate statement would be reasonably accurate only on direct loans, and that these lenders would be forced to compete with others who could either conceal the finance charge or who would find it impossible to make any presentation of the charge on a comparable basis.

Rate on Check-Credit Plans

It would also be impossible to calculate the annual finance rate on check-credit plans. Credit is not extended until the check drawn by the consumer reaches the bank. Until the bank receives the check and subsequent payments on the loan, it has no knowledge of the amount of loan, the dollar finance charge involved, or the maturity of the credit. Thus the consumer shopping for cash credit would find some lenders stating an annual rate of charge and others unable to state a rate on a comparable basis.

There has been no suggestion that legislation requiring conversion of dollar finance charges into annual rates be applied to noninstalment credit. This is, of course, inconsistent. A financing cost and charge is implicitly present and part of the price of the goods or service in all forms of noninstalment credit. Credit is not "free" simply because its cost is not identified as a separate charge.

In summary, I would estimate that it would be impossible or impractical to calculate the finance charge and/or maturity on a *minimum* of $13.5 billion of consumer credit outstanding, that effective presentation of the finance charge could not be achieved on an additional $26 billion of consumer credit, thus leaving only $17 billion or 31 per cent of total consumer credit,' at an *absolute maximum*, for which rates could be effectively presented. If only instalment credit is considered, it would either be possible to present misleading statements of rates or impossible to calculate annual rates on at least 60 per cent of outstanding credit. This falls far short of any goal of enabling consumers to shop effectively among all types of consumer credit and to compare rates charged by these alternative sources in order to use credit wisely.

It is somewhat anti-climactic to add that even if the dollar finance charge and maturity were known, difficult problems would still be encountered in converting these figures into annual rates. The complexity would probably rule out many skip-payment transactions, balloon and drop payment transactions, and hold-back transactions. Consumers needing these types of loans would be sacrificed on the altar of uniformity.

It is well known that there are many different ways and formulas for converting dollar charges into annual rates. Much more has been made of this than it deserves. Some one formula could be selected and defined by the regulatory body as a means of converting these charges to annual rates. There is no lack of formulas; the barrier lies in the lack and deficiencies of data to feed into the formulas. There is no formula available that will allow a sales clerk to figure the annual rate of charge on the sale of a $1 lipstick under a revolving-credit account or that will prevent a used car dealer from burying the finance charge in the price of the car.

Costs of Credit

We must agree, I think, that whenever possible, consumers should be informed of the cost of their credit. There are too many cases in which consumers are not told their dollar finance charge, but only told the number and amount of their monthly payments. The industry deserves to be criticized for these practices.

However, the contention that finance charges should be uniformly expressed as annual rates cannot be supported. Because finance charges are not interest charges but primarily service charges, they need not be treated as interest charges. The argument that consumers' lack of awareness of finance charges leads to economic instability rests upon assumptions that are illogical, unproved, and unprovable. Far from enabling consumers to shop and compare financing rates, legislation requiring conversion of finance charges to annual rates would benefit only unscrupulous dealers and lenders and those fortunate enough to be unable to obey the legislative decrees. Under legislation of this the consumer would be led, and indeed urged, to compare rates that are uncomparable and to shop less wisely for credit than he does now. If the law were designed only to protect consumers from the majority of lenders, we would not need a law; the great majority of lenders are honest. Any law fails if it does not reach the unscrupulous minority; it adds deceit to ineffectuality if it gives unscruplous lenders a halo of legality. •

HOW YOUTH VIEWS BUSINESS

(From NATION'S BUSINESS)

MANY YOUNG people have twisted notions about business and businessmen.

A national survey of high school students found, for example, that a large number of them:

- Believe that business leaders use illegal means to gain money and power.
- Aren't sure what profit is.
- Feel that the government should make business charge fair prices.

The Purdue Opinion Panel of Purdue University, Lafayette, Ind., made the survey. It has conducted polls of the high school population since 1941. Today's youth, the survey notes, will be a large and vocal part of tomorrow's work force and "will want things done its own way and for its own benefit." The ignorance of many of the youngsters about industrial relations could make them vulnerable to emotional appeals and social pressures in the work setting, the study points out.

A significant finding is that most students don't want business careers. Fewer than one in four high school pupils wants or expects to be a businessman or in business management, even as a salesman or foreman. Less than five per cent want to be production or white collar workers. The majority would like to be doctors, writers, artists, engineers, teachers, preachers or entertainers.

Undoubtedly many of these youngsters will shift their sights toward other career targets when they are older and more experienced. But many will be disappointed. They will carry these thwarted desires with them when they must take other jobs.

Moreover, unless their future education and training deal with industrial relations, economics and the free-enterprise system, young people all over the country will start their careers with mixed-up or misguided ideas about the business community and our capitalistic system.

The national survey (The Panel's Poll Report 59) found, for example, that some 81 per cent of the students polled felt that business leaders should be treated with "very much respect." However, in answer to another survey question, 78 per cent said they believe that business leaders use illegal means of gaining money and power. Only 58 per cent said they agree or probably agree that most business leaders are interested in the freedom and welfare of the individual.

Three out of four of the high school pupils polled are confused about profits. They defined profit as the money left over after paying wages. Seven per cent believe profit is the "wages of management." Five per cent guessed that profit is "the money allotted for business expense." Only 11 per cent correctly marked profit as a "return for risk-taking."

Fifteen per cent of the pupils surveyed believe "most basic industries such as mining and manufacturing should be owned by the government." Although 56 per cent disagree with this socialistic proposition, 27 per cent said they are uncertain whether they agree or disagree.

Some 26 per cent of the students agree that "most business concerns are out to make all the money they can no matter who gets hurt." One third of the pupils from low-income families agree. Another 20 per cent are undecided but probably agree. The rest disagree or say they are undecided but probably disagree.

Another 25 per cent agree with the statement that "most businesses tend to treat people as impersonal, unimportant units in the organization." "Twenty per cent more are in the "probably agree" category.

Two thirds of the pupils indicate they believe seniority rules are desirable in most occupations.

The reaction to the statement "Our democracy needs a business world free from government interference and regulation" was this: 13 per cent agree, 11 per cent undecided but probably agree, 20 per cent undecided but probably disagree, 55 per cent disagree.

The young people indicate in other ways that they think government should have a bigger role in business. Some 57 per cent said they think the government should require "big business" to charge a "fair price" to the consumer. Another 17 per cent said they are undecided but probably think that the government should require this. Only 11 per cent said that the government should not do so.

More than one third said "yes"

9. Is there any vital or substantial distinction between retail merchants extending credit and financial institutions lending money which needs to be taken into consideration in S. 1740?

We are certainly well aware of the legal distinction between charging "interest" and charging a "time price."

The distinction between granting credit and lending money has been recognized by many State courts. I do not wish to infringe upon the "time-price doctrine" in any way. This is a matter for the States to determine.

As a matter of fact, we took the word "interest" out of the bill last year to make it clear that we were not trying to force all credit charges into the legal concept of "interest."

However, whatever the legal distinctions may be between various types of credit charges, typically the average buyer or borrower is faced with a number of different types of credit plans — some offered by merchants, some offered by lenders — all of which are offering credit at a price. The buyer or borrower has little or concern over the legal distinctions involved here. He merely needs uniform credit cost information so that he is able to compare credit prices and shop for credit wisely.

10. Shouldn't any problems concerning disclosure of finance charges be left to the states to correct?

I firmly believe that matters that directly affect the stability of the economy are not only a proper but a necessary concern of the Federal Government. The Employment Act of 1946 states that it is the responsibility of the Federal Government to promote free competitive enterprise and maximum employment, production and purchasing power. Also a primary function of the Federal Reserve Board is to manage the money supply in such a way as to promote economic stabilization. There is general agreement in the business world that these are necessary functions of the Federal Government.

S. 1740 merely requires the disclosure of certain information. It does not attempt to regulate the contents or terms of credit contracts. It does not attempt to regulate many facets of consumer credit that are already being regulated by some States.

There are many problems in the field of consumer credit which are better left to the States to correct — abuses in regard to credit life insurance, usury limits, balloon notes, pick-up payments and garnishments, to mention only a few. Certainly an adequate trade practice law at the State level should recognize these aspects of consumer credit and attempt to correct such abuses. We have made no such attempt to do so in S. 1740.

Also, it should be clearly understood that section 6(b) of S. 1740 provides that the power to administer this law can be turned over to any State which requires the disclosure of the same credit cost information. I would hope that, in time, every State would be prepared to take over the function of supervising this law.

However, it is no secret that some are opposed to S. 1740 because they do not want any improvements in the law at either the State or Federal level.

In one State legislature where a Truth in Lending Bill was introduced early this year, representatives of the lending and retailing industry testified before the State legislature that such a full disclosure bill should not be passed at the State level because there was no need to legislate at the State level since the U. S. Congress was considering a similar bill. Second, they stressed the possible adverse effect on lenders and sellers in that particular State if full disclosure were required of them and not of their competitors in other States, and suggested that Federal legislation would affect lenders and sellers in all States equally and, therefore, would be preferable.

It would appear that some prefer to leave this matter to the States not out of any deepseated conviction over States' rights but merely because they do not wish to have anything done to correct existing abuses.

There is another aspect about this question that disturbs me. I have never been able to understand why the vast majority of reputable and honest merchants are willing to so vigorously defend the unethical elements in their industry by opposing corrective legislation at both the State and Federal levels.

Perhaps it is just a fear of anything new or slightly different, but I urge every merchant and lender to judge S. 1740 in terms of what would be best in the long run for their industry, the consumer and the economy. ●

---

or "probably yes" to the question of whether a labor union should restrict the output of its members to make a job last longer.

Some 23 per cent believe the power that business has is "too great." But 61 per cent said it is "about right."

A guaranteed annual wage for all employes is favored by 42 per cent, with 17 per cent opposed. The rest are undecided.

Asked about federal laws governing business, only 10 per cent said they think they are too strict. Another 42 per cent said they are about right, and 23 per cent said they are not strict enough.

Asked about federal laws governing unions, 37 per cent of the students said that they are not strict enough. Only seven per cent said the laws are too strict. Two thirds of the students think, however, that big unions are necessary to bargain with big business, and the youngsters are about evenly split on whether or not unions should have a greater voice in the management of a business whose workers they represent.

The government should advise labor and management what to do in almost all situations when they cannot agree, in the opinion of half the youngsters. Some 34 per cent think the government should make a decision that both management and labor must accept—compulsory arbitration.

Some 28 per cent hold the opinion that a company can be concerned with the welfare of its employes only after it is very successful and has the money to spend on extras.

A little less than half the pupils surveyed agree that unions are a stronghold for intellectual freedom. But 61 per cent think the idea of unionism is in basic agreement with the ideals of American democracy. A little more than half feel that a union can afford to be a truly democratic organization only after it has become powerful enough to bargain effectively with management.

Only the Disciplined Are Free

J. C. PENNEY

(From THE ROTARIAN)

AS YOU would suppose from my many years as a merchant, my interest lies very much in the hopes and ambitions of young people starting out in the business world. It is both our obligation and our privilege to be as creatively helpful to them as our experience permits. I am convinced that, of all the ways in which we can be helpful, we can do no greater service than to encourage youth to understand self-discipline and to make practical use of this instrument of freedom in seeking worthwhile goals.

I am fortunate in that my parents were dedicated Christians. They grew every day to the end of their lives because they were never satisfied that they had reached the point where they did not have to think about more growth and achievement. I often heard my mother whisper a prayer as she went about her housework. In time I realized that she held ever before her an ideal, an ideal always yet to be achieved. Because of my parents' influence I chose the Golden Rule as my foundation for doing business, for I wanted an ideal on which to grow.

Hardly a day passes that someone does not ask me if this Golden Rule—"Do unto others as you would have others do unto you"—is compatible with aggressive, successful business experience. "Sounds nice," people say, "but is it practical?" I can only reply that I have found it wholly practical and that I know countless others who have had the same experience.

On the road back after the depression I learned through experience that the foundation of a life, or a business, begins with humility. "Know thyself" is no mere platitude; it is common sense. In the competitive hustle and bustle of the times it is not easy to take time to assay our weak points. Yet the man who disciplines himself to this periodic inventory is much more likely to approach other men in a spirit which will invite goodwill and confidence. Perhaps if enough of us tried it we would launch an epidemic of confidence and goodwill which would encircle the world.

Rotarians are conscious of the element of service as the basis for all enterprise. Therefore we are in a desirable position to help keep before youth the unchanged and unchanging principles of justice and kindred ideals of service. How important this task becomes in this Missile Age, when horizons of endeavor are moving even beyond this planet and young people are more than ever in need of guide lines. We can give them guide lines by translating into action Rotary's aim of promoting understanding in the business and professional communities, through our efforts for community betterment, and in the many ways in which our aspirations for a better world can be expressed.

We can tell young people that hard work is a prerequisite of success, that spirit provides the fuel for hard work, creating the steady fire of energy which gets things done, and perhaps most important of all, that there is honor in all work.

Chancing to arrive a bit early on a visit to one of my stores not long ago, and not being accustomed to standing about doing nothing, I looked about for a broom and occupied my time in sweeping the sidewalk. One of the store associates came along. "Mr. Penney!," he exclaimed. "You shouldn't be sweeping the sidewalk!"

"It keeps my hand in," I replied, "and it gives me something useful to do while waiting." As a young man sweeping and dusting shelves, I may not have believed that there is no such thing as menial work, but I did discover that discipline will free us of many false ideas about work. Work never cares who does it. The sidewalk was waiting to be swept by someone, and it saved me the dullness of standing idle.

At times I have seemingly accepted the designation of "self-made men," or, as least, I have not declined it vigorously. Yet I am not self-made. I have, so to speak, only been the gardener, receiving powers which I was expected to use. It has been well said that "God gives us the seeds, but He expects us to do the cultivating." We are self-made men only because we exercise a steady determination to use, and to have confidence in, God-given abilities, and to use them to worthy purpose.

Self-effort, self-examination, self-denial, self-control—these are not virtues which we ourselves create. They are granted by a power greater than ours. A fairly long life and business career have opened windows for me on the purpose and use of these gifts. I have learned that to be free, one must follow; to gain success, one must serve; and that from discipline will come the coveted freedom which, for the individual and the world, gives life its intended meaning and purpose. •

The Price of Liberty

ALAN S. JEFFREY

Executive Vice President, National Association of Credit Management

"A credit manager must be more knowledgeable of the overall management problems of his company than any other department head."

IT is a never ending source of wonder and amazement to me that there are those business executives who oppose further government intervention into the management affairs of their businesses (in most cases with strong justification, of course) and yet voluntarily relinquish more and more of their freedom to make business decisions for themselves.

My attention has been called recently to the growth, in some parts of this country, of groups of building material suppliers who organize for so-called credit protection. In local areas, they open "credit offices" and pay a man to be "credit manager" for all the concerns in the group. He keeps duplicate records of all accounts receivable for each one of the companies that he represents. If a buyer is past due with any one of the members of that group, he is automatically shut off from the other members of the group.

Let me make it clear that so far as I have been able to learn, none of the participants in such groups is a member of the National Association of Credit Management, nor is there any connection, of any kind, officially or unofficially, directly or indirectly, between such groups and the NACM.

Aside from the very obvious antitrust implications of this type of group operation, on which I will express no legal opinion in this editorial, participation in such activities involves a complete abandonment of discretionary credit judgment.

This exercise of discretion is the keystone for leadership of credit management . . . it is responsible for separating the successful from the mediocre.

Individual judgment, based upon all of the available facts, is the heart and strength of our system of free competitive enterprise.

If management allows either government or labor unions to encroach too deeply into areas of decision making, free competitive enterprise will eventually be eliminated through erosion.

If this executive responsibility for the individual and competitive exercise of business judgment is voluntarily abandoned, management will be participating in its own self-destruction.

The price of our economic liberty is still eternal vigilance.

Local Association Activities

. . . Birmingham, Alabama

The new 1961-1962 officers and directors of The Associated Retail Credit Managers, Birmingham, Alabama, are: President, R. A. Smith, F. G. Calder Furniture Company; First Vice President, Jess R. Cowart, Bromberg and Company; Second Vice President, Mrs. Glacie H. Crowe, Brett Gas; Third Vice President, H. L. Nabors, Sears Roebuck & Company; Secretary-Treasurer, J. E. Fenn, Merchants Credit Association. Directors: Joe H. Cruce, Yielding's; George H. Allen, Fidelity Mortgage Company; Julius L. Bragg, Cobbs Allen and Hall; George W. Crawford, Alabama Power Company; B. C. DeLoach, Loveman's; Mrs. Virginia Dorman, Burchwell Company; Aubrey P. Glass, J. Blach & Sons; Edward L. Goodman, Burger-Phillips Company; T. M. Nesbitt, Jr., Finance, Inc.; Mrs. Pearl Pruett, Taylor Glass Company, and W. H. Ray, New Williams.

. . . Rockford, Illinois

The new officers and directors of The Retail Credit Association of Rockford, Rockford, Illinois, are: President, Thomas Munro, Smith Oil and Refining Company; Vice President, Charles Long, The Illinois National Bank and Trust Company; Treasurer, Rosemarie Spataro, The Illinois National Bank and Trust Company; and Secretary, Ruth Norberg, The Charles V. Weise Company. Director: Roger W. Hammond, The Charles V. Weise Company.

. . . San Antonio, Texas

At the annual meeting of the San Antonio Retail Credit Association, San Antonio, Texas, the following officers and directors were elected: President, Milton C. Wiemers, San Antonio Federal Credit Union; First Vice President, Hertha Gerum, Wolff & Marx; Second Vice President, Alvin Jenschke, Retail Merchants Association; and Secretary-Treasurer, T. C. Tarin, Retail Merchants Association. Directors: Roland Williamson, City Water Board; James F. Burns, Kallison's; Mrs. Zana Stanley, District Attorney's Office; Dorothy David, King Furniture Company; Leola Fletcher, The Fashion; Jerome Keller, San Antonio Savings Association; and Arthur Gruber, Russell's.

. . . Bremerton, Washington

The new officers and directors of the Retail Credit Association of Kitsap County, Bremerton, Washington, are: President, Stan Reeve, Credit Bureau of Kitsap County; Vice President, Harry Belt, *Bremerton Sun;* Treasurer, Jerry Leetham, National Bank of Commerce; and Secretary, Avadana Cochran, Credit Bureau of Kitsap County. Directors: Mrs. Rorothy Kerlee, Thomas Signs; and Milton Titus, Harrison Memorial Hospital.

. . . Winnipeg, Manitoba, Canada

At the annual meeting of the Credit Grantors Association of Winnipeg, Manitoba, Canada, the following officers and directors were elected: President, L. A. Tasker, Western Finance Company Ltd.; Vice President, W. J. Drudge, Hudson's Bay Company; and Secretary-Treasurer, S. E. Masson, Credit Bureau of Winnipeg. Directors: C. C. Jamieson, Winnipeg Supply & Fuel Company Ltd.; A. C. Badger, Household Finance Corporation; E. E. Burden, Manitoba Power Commission; O. M. Day, Winnipeg Central Heating Company Ltd.; N. G. Douglas, Bank of Montreal; Harold A. Genser, Genser and Sons Ltd.; A. Gill, Hanford Drewitt Ltd.; R. Kingdon, British American Oil Company Ltd.; K. Lynn, Mitchell-Copp Ltd.; R. D. G. Murray, Mid West Supplies Ltd.; and William J. Thompson, Eaton's of Canada.

. . . Waco, Texas

The new officers of the Waco Retail Credit Executives, Waco, Texas, are: President, Mrs. Lucile Nunn, Sugg Paint and Wall Paper Company; First Vice President, Douglas Newberry, Lone Star Gas Company; Second Vice President, Kirby Stone, B & L Lumber Company; Treasurer, Douglas Wood, R. E. Cox Company; Secretary, William A. Matthews, Jr., Retail Merchants Association; and Assistant Secretary, Mrs. Juanita Burnham, Retail Merchants Association. Directors: Mrs. Ann Wheeler, Stratton Furniture Company; Don Williams, Gordon Rountree Motor Company; Mrs. Gene Sharp, Cinderella Slipper Shop; Lawrence Gifford, W. A. Holt Sporting Goods Company; and Hugh Ford, Texas Power and Light Company.

. . . Savannah, Georgia

At the annual meeting of the Associated Retail Credit Managers of Savannah, Georgia, the following officers and directors were elected: President, John Seyle, Savannah Bank & Trust Company; Vice President, Wadley Petit, Backus Cadillac-Pontiac; Secretary, Murrey B. Weldon, Merchants Credit Association; and Treasurer, Clinton B. Gnann, Morris Levy's. Directors: Henry B. Rabey, Savannah Gas Company; Bernice Martin, Levy Jewelers; C. Roy Linzer, Stanley Jewelers; and John K. Towers, Leopold Adler Company.

. . . Buffalo, New York

At a recent meeting of the Buffalo and Western New York Consumer Credit Association, Buffalo, New York, the following officers and directors were elected: President, John Lenahan, Hens and Kelly; First Vice President, David Maier, Kobackers; Second Vice President, Norman Schaeffer, Home Budget Company; Secretary, Albert Little, Retail Merchants Credit Bureau; and Treasurer, Joseph F. Mikoll, Adam, Meldrum and Anderson Company. Directors: Frederick R. Knorr, Bank of Buffalo; Gilbert Krackenberger, Midland Shopper Credit Service; Jack Szelest, Wellesley Shop; Alfred Vogel, Alliance Mercantile Agency; and Aubrey Woodworth, Sister's of Charity Hospital.

. . . Muscatine, Iowa

The new officers of the Muscatine Credit Granters Association, Muscatine, Iowa, are: President, Mrs. Carol Raub, Battersons Store; Vice President, Mrs. J. W. Wallis, Central State Bank; and Secretary-Treasurer, P. H. Barloon, The Credit Bureau of Muscatine County. Directors: Mrs. Lulu Schreurs, Better Holmes Furniture; Al Evans, Beach Lumber Company; and John Smith, Spurgeon Store.

Professional Certification Program for Consumer Credit Executives

WILLIAM H. BLAKE, executive vice president, National Retail Credit Association, installed the Trustees of the newly formed National Retail Credit Institute in an impressive ceremony at the 47th International Consumer Credit Conference, Americana Hotel, Miami Beach, Florida, Monday, June 5, 1961.

The Institute is the basic educational organization which administers the Certified Consumer Credit Program of N.R.C.A. It will issue the Certified Consumer Credit Executive certificate to qualified candidates. This is the first step in bringing about professional status and recognition to the consumer credit executive.

To qualify for the C.C.C.E. title, credit executives must meet prescribed standards in the four areas of: education and training; experience and activities; N.R.C.A. leadership and community service and leadership.

The Code of Ethics of the National Retail Credit Association must be subscribed and adhered to by all consumer credit managers before receiving the certificate.

Trustees receiving their C.C.C.E. certificates at Miami Beach were: W. C. Goodman, Reynolds-Penland Company, Dallas, Texas; Cyril J. Jedlicka, City National Bank and Trust Company, Kansas City, Missouri; Earl E. Paddon, Lammert Furniture Company, St. Louis, Missouri; V. E. Rasmussen, Evergreen Cemetery Company, Seattle, Washington; J. C. Gilliland, Fingerhut Manufacturing Company, Minneapolis, Minnesota; David K. Blair, Bullock's, Los Angeles, California; Nell Stombs, St. Anthony's Hospital, Rock Island, Illinois, and Joseph A. White, The Fair, Chicago, Illinois.

The first certificate was awarded to Leonard Berry, Director of Education and staff member of N.R.C.A. Officers of N.R.C.I. are William H. Blake, M.S., Leonard Berry, C.C.C.E., Harold DeBaum, C.P.A., and Arthur H. Hert, M.B.A.

Immediately after the certification at Miami Beach, the Trustees met officially to review a number of applications which had been received. The following were certified as Consumer Credit Executives by the Trustees on June 6, 1961:

Rudolph M. Severa, Credit Bureau of Greater New York, New York, New York;

Dean Ashby, The Fair, Fort Worth, Texas;

Henri R. Wolkoff, The Town Shop, Poughkeepsie, New York;

R. A. Jackson, Volk Brothers Company, Dallas, Texas;

Howard A. Clarke, Gimbels, Pittsburgh, Pennsylvania;

Frederick R. Hachtel, Gimbel Brothers, Inc., Milwaukee, Wisconsin;

Jack Paterson, Weston Credit Jewelers, Weston, Ontario, Canada, and

Alexander Harding, John H. Pray & Sons Company, Boston, Massachusetts.

The program is intended to indicate a degree of competence in consumer credit management. Its purpose is to establish a symbol of recognition which will encourage high standards and thus elevate the level of the consumer credit granting profession.

The Institute's program takes into consideration education, experience, community activities and participation in local, district and national credit association activities in establishing requirements for a professional certificate.

A proper balance of these four factors will result in a well-rounded Consumer Credit Executive, who will be able to take his rightful place as a member of the management team.

Three levels of professional proficiency are recognized. The first is the *Credit Counselor,* designed as the basic program for those individuals in the Credit Office whose duties require them to counsel with customers about their credit requirements and collection problems. The second step is the *Associate Credit Executive,* which includes departmental supervisory functions and skill in decision making. The third step is the *Certified Consumer Credit Executive,* the highest award in the power of the Institute to make. Details of the requirements for each level of certification will gladly be sent to any member of the National Retail Credit Association on written request to the Director of Education, National Retail Credit Association, 375 Jackson Avenue, St. Louis 30, Missouri. •

People and Events

Frederick W. Ellinghaus . . .

It is with deepest regret that we announce the sudden death of Frederick W. Ellinghaus, on Monday, June 19, 1961. Prominent in local and national credit fields for over 40 years, he was past president of the Retail Credit Association of Baltimore, and also served this organization as a Director for many years. Associating with the Hecht Company in 1919, he held varied credit positions for a number of years. In 1948 he became associated with the May Company, and at the time of his retirement on August 1, 1959, he was Credit Manager of the Hecht-May Howard Street store. His valued contributions to the credit fraternity of Baltimore will long be remembered by his many friends in this field. The NRCA extends its deepest sympathy to his widow, and a son who survive him.

District Ten Hall of Fame . . .

In the East Banquet Room (now renamed the Georgian Room) of the Davenport Hotel, Spokane, Washington, a plaque set into the wall commemorates the birth in 1912 of the National Retail Credit Association, and which delegates to the Golden Anniversary Conference will be able to view next June. Among those present at that original meeting at which the NRCA was founded, was Nicholas M. MacLeod, Owner-Manager of the Credit Bureau of Spokane and Secretary, Spokane Retail Credit Association, whose Golden anniversary was celebrated last January.

The Spokane Association recently honored Mr. Mac's many years of loyalty and service to retail credit by presenting him with a suitably inscribed plaque, which features his profile in bas-relief. This plaque will also be set into the wall of the Georgian Room along side of the NRCA plaque, making this room truly District Ten's Hall of Fame.

The picture below shows Mr. Mac (who celebrated his 91st birthday last February and who is still the active manager of the bureau and secretary of the association) receiving the plaque from John Hasstedt, President of the Spokane Retail Credit Association.

Duane O. Watkins Promoted

Duane O. Watkins has been named General Credit Manager, Kaufmann's, Pittsburgh, Pennsylvania, to succeed Carl G. Kaessner. He has been with the store since 1947, starting as job analyst, and was named assistant credit manager on August 1, 1959.

Help Wanted

Credit and Collection Manager for Chicago loop store. We seek a man who knows retail credit and collections thoroughly; who is fortified by solid experience in top grade specialty or department stores; and who is a competent manager and administrator. Salary is in the higher brackets for the right party. Send complete resume which will be held in the strictest confidence. Our own organization knows of this ad. Box 9615, The Credit World, 375 Jackson Avenue, St. Louis 30, Missouri.

Manager-Supervisor for Credit Reporting Division of Credit Bureau of Boulder, Colorado. Must be thoroughly familiar with all aspects of credit reporting and have proven supervisory ability. Bureau is located in unusually attractive community in foothills of Rocky Mountains with an ideal year round climate. Excellent schools and University. Interested parties should send name and address to A. K. McDonald, Credit Bureau of Boulder, Box 267, Boulder, Colorado. Additional details regarding position plus employment application and questionnaire will be sent.

Positions Wanted

Credit Executive. Over 40 years of experience in all phases of credit and collection work, including its legal aspects, account solicitation, and credit sales promotion. Have handled financing of accounts receivable, by scheduling, indirect and direct financing. Have organized and managed a credit and collection department handling accounts receivable amounting to over $5,000,000 representing 25,000 to 30,000 accounts. Active in district and national association affairs. Personal and business references furnished. Box 9616, The Credit World.

Credit Manager. University graduate, age 46. Presently employed but credit office will be consolidated in regional office in another city. 24 years' experience, excellent references. Box 9613, The Credit World, 375 Jackson Avenue, St. Louis 30, Missouri.

Credit and Collection Manageress available. Extensive knowledge of entire field, 14 years' specializing in credit granting and collections. Ambitious and desirous in making challenging change. Box 9611, The Credit World, 375 Jackson Avenue, St. Louis 30, Missouri.

Finance or Credit Manager. 33 years of age. Three years as Credit Manager of retail store and four years as Manager in large chain finance company. Present income, $8,000. Prefer to locate in mid-west or west. Also a licensed private pilot. Box 9612, The Credit World, 375 Jackson Avenue, St. Louis 30, Missouri.

The Lowest Priced Insurance On the Market . . .

Many times as I have analyzed Credit Bureau reports, I have silently expressed gratitude for having at my beck and call the best debt insurance available. During my 12 years in the retail field I have tried approving credit applications by the "eyeball" method and taking a calculated risk, or by being impressed with a prospective customer and hating to lose that sale while waiting for a credit investigation report.

But, when the time comes to write off those balances, I would reflect on my slanted expense savings viewpoint and realize I had ended up paying many times the cost of a Credit Bureau inquiry. I am sure all of us are aware the credit seeker, with a marginal or downright poor credit history, will list only the best references, upgrade his employment status and income, and put on his "best front" when soliciting an account.

Many of you will agree with me that few of us are expert psychologists and are able to see through a person's screen of integrity and capability. Too many times we have been surprised when a large overdue balance account comes across our desk and a long delayed credit report tells us we were wrong in saying, "I am sure he is a top grade credit risk!" Perhaps in view of the present economic trend, you should evaluate your credit losses and decide if you too, should take advantage of the low cost "insurance" available through the expert services maintained by your Credit Bureau.—C. W. Carlson Jr., *General Credit Manager*, Donaldson's, Minneapolis, Minnesota.

Edward Schreiber Mayor of Galveston . . .

Edward Schreiber, Schreiber-Miller Furniture Company, Galveston, Texas has been elected mayor of that city, the first mayor under a city manager form of government. He is a past president of the Galveston Furniture Association, Retail Furniture Association of Texas, Galveston Merchants Association, Retail Credit Executives of Texas, and the Galveston Kiwanis Club. He has been a loyal member of the National Retail Credit Association and has attended many of our National Conferences. He received the first Scott Award at our annual Conference held in St. Louis in 1956. He has been a major influence in the business, civic and religious life of Galveston for many years.

Sterling S. Speake Credit Schools . . .

Credit Schools will be conducted by Mr. Speake in the following cities during the month of October, 1961:

St. Catharines, Ontario	**Sharon, Pennsylvania**
Kitchener, Ontario	**Washington, Pennsylvania**
Chicago Heights, Illinois	**Warren, Ohio**
Michigan City, Indiana	**Canton, Ohio**

New Kennsington, Pennsylvania

If your city is interested in having a professional Credit school for your bankers, businessmen, retailers and medical offices, please write the National Office for details and open dates.

For Sale

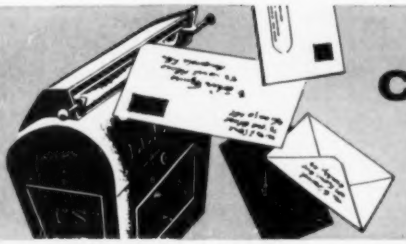
37 Revo-Files, original cost $25.00 each. Capacity 8,000, 4" x 6" cards in each unit. Will sell entire quantity or individual units. Any reasonable offer considered. J. Cezard, Purchasing Agent, Peck and Peck, 260 Park Avenue South, New York 10, New York.

Credit Bureau and collection department on South Central United States. Excellent potential. Must be cash transaction. Price $12,500. Box 9614, The Credit World, 375 Jackson Avenue, St. Louis 30, Missouri.

William H. Blake Honored . . .

William H. Blake, Executive Vice President, National Retail Credit Association, was among a group of 34 of the nation's leading association executives named to receive the Chartered Association Executive (CAE) Award of the American Society of Association Executives. The special recognition ceremonies took place on the opening day of the Society's 42nd annual meeting held in Denver, Colorado, September 3-6, 1961. Dr. Howard A. Prentice, Executive Vice President, Proprietary Association, Washington, D. C., is chairman of the trustees of the CAE plan.

The plan, initiated this year, following a five-year study by ASAE, is the first of its kind to give special recognition to qualified association executives who have acquired broad backgrounds in all phases of association management and met rigid requirements covering education, experience, training, association achievement, etc. The successful candidates were selected under this plan, which is aimed at raising the level of association management to the highest standards obtainable.



CREDIT DEPARTMENT Communications

LEONARD BERRY

THOSE WHOSE CREDIT responsibilities include deciding upon the acceptance or rejection of applicants for credit service must wage constant war on the dangerous tendency which has a way of growing on one, to judge people in the mass rather than as individuals.

Often, for example, credit analysts have been known to state dogmatically that certain areas of the community produce only bad debt accounts. Sweeping groupings of applicants by occupation, with "good" ones in this pile and "bad" ones in another, are made by some credit clerks. Personal prejudices and private standards of measurement play an undue part in many credit decisions. No one knows for sure for instance how many credit applicants have been summarily rejected without even a second glance just because some receptionist or counselor just knew they would be no good anyway!

The *individual* is the most important part of any credit decision. In these days of widespread credit and fierce competition for the credit dollar, credit applicants must be judged on an objective study of the character, capacity and capital of the specific person. To put it another way, stability of residence, stability of employment and stability as a citizen form the basis for credit acceptance or declination rather than geographical, racial or occupational generalizations. Each applicant must be judged on his or her own individual merit and eligibility for credit service.

Consumer credit is an essential part of our mass production system. Our whole pattern of life in America is made possible because we have developed to a remarkable degree the ability to produce consumer goods in vast quantities and because we have harnessed the mighty power of credit to create increased demand for those goods and to provide for payment for them out of earned income. Production and credit are the powerful twins of modern commerce which bring more of the good things of life, to more people, sooner and cheaper.

In order to make this credit system work at maximum levels credit personnel themselves must show positive approaches to credit. They must believe, firmly and fervently, that credit is a desirable promotional device to secure more profitable sales. They must believe, strongly, that the overwhelming majority of the people are well able to handle all the credit they are likely to seek, in fact, that most of them do not use the credit potential they possess. Credit personnel must believe that credit has played a big and necessary role in creating better living for millions of Americans in the last 50 years or so.

Unless credit personnel hold these positive concepts of credit clearly in mind, some of their decisions will be negative ones when they should be positive. I heard a credit manager say recently that about half the people seeking credit at his store were absolutely unqualified for credit and he wished he could turn them down. However, he went on to say that his management wanted all the credit business possible and had instructed him to accept practically everyone. He moaned the passing of the "good old days" when only the truly "credit-worthy" obtained credit. His attitude is clearly that of undue "protection" and is probably costing his firm many thousands, if not millions, of dollars of profitable business.

The job of today's credit executive is *not* to keep credit markdowns as close to zero as possible. His job is to extend liberal credit to as many people as possible, compatible with normal and expected ranges of bad debt losses. The job of today's credit executive is *not* to obtain 100 per cent collections. His job is to accept many *borderline* accounts, knowing he will have collection problems, but confident in his ability to handle them.

In deciding YES or NO on credit applications, those who have the responsibility for doing so must take the time and trouble to search for reasons to say YES, rather than for reasons to say NO. In most borderline cases, both the YES and the NO might be considered sound judgment, depending on the viewpoint of the analyst. However, success in today's competitive distribution field goes to the firm more willing to say YES than NO.

Each individual is important. The biggest business is made up of a myriad of small transactions. We must hold the *individual* viewpoint rather than the *mass* viewpoint.

This Month's Illustrations

Illustration No. 1. This matter of a customer being over her limit on revolving charge account is a fairly common problem with our members, judging from the letters we receive. It is a delicate situation. A high degree of discretion must be used. Perhaps the credit limit agreed upon some time ago was not a realistic one. On the other hand, over-loading and over-buying surely are symptoms of an unhealthy credit condition. Here we show you a letter used by Buffum's, Long Beach, California for that situation and also a printed form from the same firm.

Illustration No. 2. To give you a variety of forms, still dealing with this collection and over-limit problem, we show a series of printed notices from the fine Oakland, California store of Capwell's. These are shown to give you ideas as to wording and layout. It is becoming increasingly clear that a well worded and attractively printed form is inexpensive and effective. The main thing is to act quickly but considerately when over-buying rears its head.

Illustration No. 3. Another example of imaginative promotional mailing from a progressive and alert bank. As we have often said, in this highly competitive era we must be very much on our toes in order to get the share of credit business we should. Credit sales letters must be original and sparkling if they are to justify their cost and bring returns.

Buffums' PINE AT BROADWAY
LONG BEACH 8, CALIFORNIA

(1)

Mr. & Mrs. B. R. Customer
7584 Tinsville Road
Anywhere, U. S. A.

Dear Mr. and Mrs. Customer:

We wish to call your attention to the fact that your R. C. A. is not being used in accordance with the terms of your agreement. You agreed, as you no doubt recall, to payments of $50.00 with a credit limit of $300.00. Upon referring to your account, however, we notice that there is a balance now owing of $451.79.

This will automatically require either increased monthly payments or an amount suitable to reduce the balance to the approved limit. Please contact our Credit Office and advise us as to your desire in this matter.

Thank you for this consideration and for the business you have given us.

Very truly yours,

B U F F U M S'

Jean Shelby
Collection Department

Buffums'

Dear Customer,

You are probably not aware of it, but the recent purchases charged against your Revolving Credit Account exceed the total amount stipulated in our agreement with you.

That agreement calls for payments of $________,

with a credit limit of $________. Instead, however,

there is now a balance owing of $________.

We'll be pleased to have you take care of this in either of two ways: one, by increased monthly payments, or the other, by payment now of a sum that will reduce the balance to the agreed-upon limit.

If you will kindly contact our Credit Office promptly and make arrangements for whichever procedure you prefer, your Revolving Credit Account will again be in good shape and can continue to be used without interruption.

Please be assured of our wish to give you the best possible service and courtesies at all times.

Sincerely,

BUFFUMS'

Credit Manager

---

(2)

Your B.C.A. Account is now $______ over the limit. It will be necessary for you to pay $______ each month until your balance is within your contract.

Sorry, but we cannot pass additional charges until arrangements are made with the Collection Department.

OVERLIMIT
Second Notice

Recently we notified you your BCA was overlimit in the amount of $________
To date this amount has not been paid.

As your monthly payments are based upon this limit, it is most important that you remit at once.

Your BCA has been closed until the above amount is paid.

OVERLIMIT

Your balance exceeds the agreed limit of your BCA Account. To bring the account within the limit, this amount must be paid in addition to your regular monthly payment.

Please do not make any further purchases on the account until payment has been made for the over-limit amount of $________.

We shall appreciate your prompt cooperation.

The manner in which you are paying your BCA account is greatly appreciated.

Inasmuch as your most recent purchases have exceeded the limit originally agreed upon, we will be happy to increase this limit to______ payable at ______ each month.

If you wish to raise your limit . . . just sign the reverse side and return in the enclosed envelope.

Should you prefer, you may send the overlimit amount indicated above.

We are happy to know that you find your BCA account a convenience, and wish to thank you for the prompt manner in which you have paid the account.

At present the balance on the account exceeds the amount you originally requested.

So that there will be no delay when you use your account, will you kindly send the amount indicated below.

$________

It was a pleasure to arrange a BCA account for you, and the prompt manner in which you have made your payments is appreciated.

At this time, however, the present balance of $ ____________ exceeds the limit originally agreed upon.

Will you kindly send your remittance to reduce this balance, so there will be no delay when you use your account.

Your BCA account is now overlimit ________________

Will you kindly keep a total of your purchases by adding the correct charges to your most recent statement, and deducting your unposted payments, so you will not go over your limit.

Please send your remittance of the above amount within the next five days. Until this payment is received we will be unable to authorize further charges to your account.

Cordially,

Capwells

Credit Department
Third Floor

Broadway, 20th, Telegraph • Templebar 2-1111

PArkview 1-4800

THE DELMAR BANK of UNIVERSITY CITY
NEW
6630 Delmar Boulevard
UNIVERSITY CITY, MISSOURI

(3)

this Spring...

when you buy your new car...

Meet Your Friends at DELMAR BANK of University City... THEY CAN SAVE YOU MONEY!

Dear Friend:

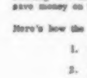
In the spring, a young man's fancy turns to thoughts of a new automobile...and while you're thinking of a new car, think of your friends at the New Delmar Bank. They can help you save money on financing your automobile.

Here's how the New Delmar Bank can help you plan;

1. Select the car of your choice.

2. Visit or phone (Pa. 1-4800) Mr. Kaltenbach in the Loan Department at the new Delmar Bank. Tell him about the car you want to buy, the equipment on it, etc.

3. He will quickly arrange for a low-cost loan for your automobile so that you can walk up and pay the dealer for your car. It's just that simple. You don't have to worry about your financing any more.



And, because you're lucky enough to have a new car, we want you to have a gift from the Delmar Bank. When you finance your car with us, we will give you, absolutely free, a true scale model of your automobile which your children can play with, which you can place on a desk in your office, or on the mantelpiece in your living room.
(This offer expires July 1st, 1961)

Yes, this spring when you get ready to buy your new car, any appliance, or improve your home, see the Delmar Bank. They can save you time, and they can save you money.

Sincerely,

DELMAR BANK OF UNIVERSITY CITY

Peter Wetzel, President

P.S. The New Delmar Bank of University City pays 3% on passbook savings. Yes, you get a guaranteed 3% on passbook savings.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION $10,000 MAXIMUM INSURANCE FOR EACH DEPOSITOR

State Legislation

Wisconsin: A bill to curb fraudulent advertising was given final passage. The measure would brand as deceptive the misrepresenting of the nature of any business by use of the words "manufacturer, factory, mill, importer or wholesaler." It would also be illegal to misrepresent prices as those of the "manufacturer" or "wholesaler."

Connecticut: State Consumer Protection Commissioner Franssinelli stated that he would continue to crack down on the sale of "loss leader" items even though one provision of the state's unfair sales practices act was declared unconstitutional.

Ohio: A ruling handed down in Cleveland by the Eighth District Court of Appeals upheld the constitutionality of Ohio's 1959 fair trade law which permits manufacturers to establish minimum resale prices for their trade-marked products.

California: Governor Brown signed into law a bill to curtail the use of loss leader items in retail stores. It provides that limiting the number of items which a customer may buy or selling such items for less than replacement cost will raise the presumption that the store owner intends to injure or destroy competition. This would permit the authorities to take action to halt the practice.

Wisconsin: A bill to allow merchants to detain suspected shoplifters without fear of false arrest was passed by the Senate after earlier approval by the Assembly. The measure will exempt merchants from liability for civil suits if they detained a shoplifting suspect in a reasonable manner for a reasonable period of time.

District of Columbia: Commissioners of the District voted in favor of permitting controlled distribution of trading stamps by Washington merchants. The introduction of such a stamp would require the approval of Congress. The approval will be followed by the drafting of a bill to be sent to the House District Committee.

Delaware: A bill to modernize Delaware's weights and measures law was given final passage and sent to the Governor for signature. The measure will be administered by a new agency which will be an arm of the State Board of Agriculture. In addition to the usual weight and measurement duties, the director will be responsible for checking of pre-packaged goods to assure consumers a square deal.

Wisconsin: The Assembly killed a bill which would have created a consumer's counsel in the state attorney general's office. Also killed was a proposal which would have strengthened the law with respect to fraudulent advertising.

California: Governor Brown signed into law a bill designed to protect the public from unethical automobile dealers. The measure, known as the Rees-Levering Act, is effective January 1, 1962. Among other things, the law provides for the award of attorney's fees to the buyer who must go to court to secure his rights; bans outright the use of trust deeds on real estate as a means of security for a car sale; makes possible for the state to deprive a dealer of his license if he falsely advertises "no money down" when in fact the buyer is required to negotiate a separate loan to cover the down payment; and subjects the seller to penalties if he does not fully inform the buyer of the price and terms of the sale at the time the deal is closed.

North Carolina: State Insurance Commissioner Charles F. Gold, after a hearing, rejected requests submitted by insurance companies that write accident and health insurance in North Carolina in connection with small loan companies. The request involved increases in rate.

Ohio: A bill to increase the ceiling for small loans from $1,000 to $2,000 and revise interest rates was repassed by the Ohio legislature after having been vetoed by Governor DiSalle.

Pennsylvania: A bill to give the State Insurance Department authority to write rules and regulations governing the sale of credit insurance was passed by the House of Representatives and sent to the Senate. Legislation would provide fines ranging from $250 to $1,000 for violations.

Vermont: Both branches of the Vermont legislature approved a bill under which auto financing will be brought under state regulation. The measure sets maximum finance charges on auto purchases. It establishes licensing requirements and spells out remitted collection charges which may be made on this type of loan. Interest charges on new cars may not exceed $7 per $100 per year.

Wisconsin: A bill to raise from 10 per cent to 12 per cent the maximum interest on instalment loans under $5,000 was passed by the Senate and sent to the Assembly. The bill has the backing of the Wisconsin Bankers Association. Also passed by the Assembly and sent to the Senate was a bill to require automobile dealers and finance companies to protect the equity of automobile buyers in writing collision insurance policies.

Missouri: Governor Dalton signed into law a retail sales bill setting up time or interest charges for retail merchandise and applying to almost everything but motor vehicles. Under the bill signed by the Governor, 12 per cent is the top on purchases under $300. There is a 10 per cent bracket up to $1,000 and 8 per cent above that.

Illinois: Governor Kerner signed into law a series of state legislative bills sought by the state attorney general to provide him with power to conduct a campaign against dishonest merchandising. Under the bills here is permitted to take civil action only against merchants concerning whom complaints have been received. Willful violations of the law can bring about the involuntary dissolution of Illinois corporations and under similar circumstances the Secretary of State is required to revoke the licenses of corporation from other states.

Texas: A bill aimed at making more merchants close on Sundays was given final passage by a special session of the Texas legislature. The measure gives retailers a choice of banning Sunday or Saturday sales of a number of commodities. Emergency sales may be made on written request stating the purchase is necessary to protect or preserve human or animal life.

From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel

NATIONAL RETAIL CREDIT ASSOCIATION, WASHINGTON, D. C.

Consumer Bankruptcy Climb:—Total bankruptcies filed (almost 90% of which are non-business, that is, individual or consumer bankruptcies) continued the sharp upward rise of the past decade, final figures for fiscal 1961 have indicated. The following tabulation covering the period 1958-1961 tells the story, particularly of the drastic increase in fiscal 1961 over the immediate preceding three years:

	Cases Filed	Increase Over Preceding Year
1958	91,668	———
1959	100,672	9.8%
1960	110,034	9.3
1961	146,643	33.3

Projecting the accelerated rate of increase of 1961 over 1960, it is indicated that we may face something in the area of 200,000 new filings by the end of fiscal 1962.

Third Quarter Variation:—A somewhat human twist to the otherwise cold bankruptcy picture might be found in the fact that the 3rd fiscal quarter—January, February, March—and the 4th fiscal quarter—April, May, June—each year show a substantial increase in bankruptcy filings over the 1st and 2nd quarters of the year. This appears to be explainable only by the fact of the heavy Christmas spending in the 2nd fiscal quarter, the effect of which is felt most strongly in the 3rd and 4th quarters when total debt is at a peak and collection pressure is presumably greatest. (Federal Reserve figures on new extensions of credit and delinquency in repayments support this conclusion). Filings by quarters for the period 1958-1961 are as follows:

Fiscal Years and Quarters	Cases Filed
1958	
First	20,264
Second	20,351
Third	25,218
Fourth	25,835
Total	91,668
1959	
First	24,408
Second	23,336
Third	26,273
Fourth	26,655
Total	100,672
1960	
First	24,225
Second	24,171
Third	29,797
Fourth	31,841
Total	110,034
1961	
First	32,766
Second	33,318
Third	40,085
Fourth	40,474
Total	146,643

For an indication of the volume and a comparison of gift spending at the Christmas season with other gift-spending occasions, see chart at page 7 of The CREDIT WORLD for January 1961. It is there indicated that Christmas gift buying in the U. S. amounts to about $7,350,-000,000, almost equal to the total of all other gift purchases throughout the entire year.

Legislative Chain Reaction Follows Malpractices:—The District of Columbia is about like any other jurisdiction except that its laws are written by Congress. A series of articles published in the D. C. concerning abuses in the home improvement industry, and retail sale of automobiles, focused public attention on these particular areas of business. As a result bills were introduced in the first session of 86th Congress directed at correcting these conditions.

With unusual unanimity and exceptional speed House and Senate acted to pass legislation: (1) P. L. 86-431, approved April 22, 1960, "An Act to provide for the regulation of finance charges for retail instalment sales of motor vehicles in the District of Columbia;" and (2) P. L. 86-715, approved September 6, 1960, "An Act to authorize the bonding of persons engaged in the home improvement business."

Neither of these laws has had a sufficiently long experience to prove its ultimate worth or possible deficiency. However, one law often begets another, especially when a series of inter-related malpractices has been involved such as, in the automobile field, of alleged false advertising of terms, concealment of finance or insurance charges, exorbitant charges, "pick-up" payment and "balloon" payment practices, etc. Hence S. 2357, "A bill to provide for the regulation of credit life insurance and credit accident and health insurance in the District of Columbia" should not come as a great surprise. It was introduced (by request) by Senator Bible, Chairman of the Senate District Committee, on August 1, 1961.

Is More Effective Self-Regulation the Answer?:—The above brief recital of conditions in two industries, which received considerable public censure, and lead to the enactment of these laws, and/or proposal for still additional statutory authority, leads naturally to the inquiry: Was there anything that the affected industries themselves might have done to stave off such regulatory legislation?

The answer in the minds of many would undoubtedly be "Yes." An excellent discussion of this point of view was presented in an address by a former president of the American Bar Association, E. Smythe Gambrell, at the recent annual meeting of the association in St. Louis. Mr. Gambrell noted that business men "who wink at a low level of ethics are setting the stage for political troubles."

"If business leaders fail to heed current warnings, they run the risks of having sharp-toothed codes imposed on them, not by voluntary trade associations but by law makers," he declared. Pointing to some of the evils, he specifically mentioned "rigged means of inflating costs." "The situation demands an informed conscience," he said. •

Consumer Credit Outlook

▶The United States Economy is entering a period of business recovery. The vast sums of money poured into the economic stream and the amount will eventually be spent on defense projects could start another "boom." The Administration has predicted a $550 billion gross national product by mid-1962. Should this come about, the volume of credit could also rise to meet consumer demand. Inflationary factors could become a major problem.

▶Consumer instalment credit outstanding at June 30, 1961 stood at an estimated $42.4 billion...Noninstalment credit at $12.4 ...making the total Short- and Intermediate-Term Consumer Credit Outstanding $54.8 billion. This is $1.1 billion greater than at the same time year ago. Extensions of credit rose to the highest level since November, 1960. Credit repayments continued to increase in June over the previous month.

▶The Instalment Credit Committee, American Bankers Association, reports that at June 30 the delinquency ratio on bank instalment credit was at the lowest level of the year. Less than three loans out of every thousand required unusual collection attention. Consumer attitude and confidence in buying appears more optimistic yet it is somewhat restrained.

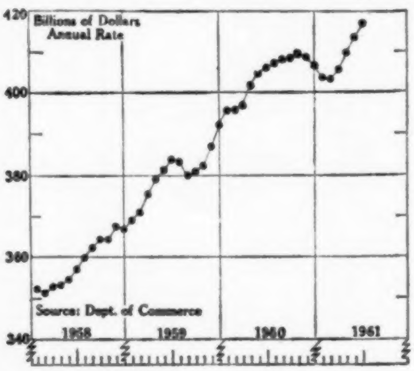
▶The financial picture for stores, in the first quarter 1961, shows an increase in total operating expense, linked to a decrease in profits and a drop in sales. These are the findings reported by NRMA's Controllers' Congress based upon reports from 199 stores with an annual sales volume of $3.4 billion. Total operating expense for 1961 was 38.7 per cent compared to 37.8 per cent in 1960. Net profits before taxes dropped to 0.7 per cent (1.5 per cent in 1960) and total sales were 3 per cent behind 1960. "An inability to control expenses relative to sales continues to be the chief cause of the decline of profits. Dollar expenses declined only 1 per cent while sales were 3 per cent lower," noted Sam Flanel Congress Manager.

▶Crime in the United States, by J. Edgar Hoover, Director, FBI, presents many startling facts. "With 1,861,300 serious offenses reported in 1960, crime continued its upward surge, 14 per cent over 1959. First year of the sixties recorded a new all-time high, with 98 per cent more crime than in 1950. Arrests total 3,640 for every 100,000 persons in 1960. City arrests almost three times rural rate. Arrests of juveniles climbed 8 and 9 per cent in rural and city areas respectively. Female arrests rose 10 and 3 per cent in rural and city areas."

▶Two of the top supervisory agencies of the banking industry, the Federal Reserve Board and the Federal Deposit Insurance Corporation, are supporting commercial banks and Treasury Department proposals for tax equality between commercial banks and savings banks and savings and loan association. This was disclosed at the opening of the hearings of the House Ways and Means Committee. Claims by commercial banks that savings and loan institutions do not pay a full share of taxes are "rubbish" according to David Ford, president, Savings Association League of New York State.

▶Four identical bills have been introduced by Senator Kefauver and Representative Celler to increase penalties for antitrust violations. The first bill (S2252; H.R. 8136) increases the maximum fine for a violation of Section 1, 2, or 3 of the Sherman Act from $50,000 to $100,000. A second violation within ten years...$500,000. If an individual were convicted, he would be both fined and sentenced to jail. The second bill (S. 2253; H.R. 8137) would amend Section 1 of the Sherman Act. A corporation convicted of fixing prices or allocating markets or customers could be fined as much as $500,000. Individuals would be subject to a $100,000 and a year

Personal Income at Record



in jail. The third bill (S. 2254; H. R. 8138) would amend Section 14 of the Clayton Act to reach a corporate officer, director, or agent who knows or has reason to believe that the antitrust laws are being violated. Failure to report to proper corporate authority would be deemed a ratification of the violation and would be punishable in the same way as if the officer had authorized, ordered, or committed the violation. The fourth bill (S. 2255; H. R. 8139) deals with identical sealed bids on government contracts.

▶A U. S. Judge has reported that family-type bankruptcies are in a steep rise. He has estimated 146,731 bankruptcies in this year increasing to 160,000 cases next year. Naturally he deplores this condition. Ironically, at the same time the Federal government increased its "temporary" debt limit from $293 billion to $298 billion.

▶More than 4.4 million people are affected by the new and easier rules governing old-age insurance approved by President Kennedy on June 30. Qualified persons will share in some $825 million in benefits. Most of the recipients are now on the pension rolls. The increase in benefits will bring the total insurance system payments to about $12.5 billion a year. To meet this rising cost in Social Security... taxes will go up to 3 1/8 per cent come January 1 and will apply to the first $4,-800 of each worker's yearly pay. Also, the final increase in tax now provided by the Social Security law is moved ahead from 1969 to 1968. After that, the rate will be 4 5/8 per cent on the employee as well as the employer. For the self-employed, the rate is 1 1/2 times the employe's tax.

▶Employee embezzlements have increased 300 per cent since the 1956 total reached $500 million. A casualty company officer attributes much of the loss to the lack of someone in the company with whom employees may talk about financial woes. According to Roy C. Taylor, potential or actual thieves can often be detected by alert personnel and security executives. He suggests watching the following: habitual borrowing of small amounts; frequent placing of unauthorized I.O.U.s in the change box; excessive drinking and night clubbing; high living explained by inheritance; annoyance at reasonable questions; habitual rewriting of records under the guise of making them easier to read; refusal of vacations or promotion; replying

Consumer Instalment Credit, by Holder and Type of Credit

(Estimated amounts outstanding, in millions of dollars)

Type of credit and institution	*June 30, 1961*	*Increase or decrease (−) during:*		
		June 1961	*June 1960*	*Year ended June 30, 1961*
Total	42,441	314	627	689
Commercial banks	16,804	28	234	659
Sales finance companies	10,768	72	201	−177
Credit unions[1]	4,074	83	89	448
Consumer finance companies[1]	4,151	18	55	194
Other financial institutions	1,866	0	0	58
Retail outlets[2]	4,778	113	48	−493
Automobile paper	17,358	116	324	−397
Commercial banks	7,974	73	146	14
Sales finance companies	7,214	10	136	−553
Other financial institutions	1,680	31	33	164
Automobile dealers	490	2	9	− 22
Other consumer goods paper	10,666	64	123	204
Commercial banks	3,085	− 96	17	401
Sales finance companies	2,447	42	43	272
Other financial institutions	846	7	24	2
Department stores[3]	1,732	98	19	−341
Furniture stores	1,076	5	7	− 56
Household appliance stores	272	2	1	− 19
Other retail outlets	1,208	6	12	− 55
Repair and modernization loans-	2,958	15	40	53
Commercial banks	2,111	11	30	6
Sales finance companies	69	2	4	20
Other financial institutions	778	2	6	27
Personal loans	11,459	119	140	829
Commercial banks	3,634	40	41	238
Sales finance companies	1,038	18	18	84
Other financial institutions	6,787	61	81	507

[1]Estimates of loans at credit unions and consumer finance companies by type of credit are included with figures for other financial institutions.

[2]Figures by type of retail outlet are shown below under the relevant types of credit.

[3]Includes mail-order houses.

Consumer Instalment Credit Extended and Repaid, and Changes in Credit Outstanding

(In millions of dollars)

	Total	*Auto-mobile paper*	*Other consumer goods paper*	*Repair and modern-ization loans*	*Personal loans*
Without seasonal adjustment					
Credit extended					
1961—June	4,402	1,525	1,214	178	1,485
May	4,280	1,461	1,219	185	1,415
1960—June	4,615	1,733	1,267	198	1,417
Credit repaid					
1961—June	4,088	1,409	1,150	163	1,366
May	4,141	1,419	1,202	164	1,356
1960—June	3,988	1,409	1,144	158	1,277
Seasonally adjusted[1]					
Credit extended					
1961—June	4,116	1,347	1,190	167	1,412
May	4,001	1,315	1,158	168	1,360
1960—June	4,313	1,538	1,248	186	1,341
Credit repaid					
1961—June	4,016	1,386	1,137	160	1,333
May	3,974	1,365	1,148	160	1,301
1960—June	3,934	1,392	1,135	155	1,252
	Increase or decrease (−) in outstanding credit, seasonally adjusted[2]				
1961—June	100	− 39	53	7	79
May	27	− 50	10	8	59
2nd qtr. mo. av.	− 4	− 78	7	5	62
1st qtr. mo. av.	− 88	−129	7	−10	44
1960—4th qtr. mo. av.	126	32	34	− 1	61
3rd qtr. mo. av.	179	38	10	20	111
2nd qtr. mo. av.	429	187	104	33	105

[1]Includes adjustment for differences in trading days.

[2]Seasonally adjusted changes in outstandings derived by subtracting credit repaid from credit extended.

NOTE:—Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and include finance, insurance, and other charges covered by the instalment contract. Renewals and refinancing of loans, repurchases or resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.

Changes in Department Store Sales and Accounts Receivable

June 30, 1961	Percentage change from:	
	Month ago	Year ago
Sales during month: Total	−2	+3
Cash	−1	+3
Charge	−6	+6
Instalment	+2	+8
Accounts receivable, end of month:		
Charge	−2	−1
Instalment	−1	+2

Collection Ratios and Percentage Distribution of Sales

June 30, 1961	June 1961	May 1961	June 1960
Collection ratios[1]: Charge accounts	48	48	48
Instalment accounts	15	15	15
Percentage distribution of sales:			
Cash	43	43	43
Charge	41	42	42
Instalment	16	15	15

[1]Collections during month as a percentage of accounts receivable at beginning of month.

Short- and Intermediate-Term Consumer Credit Outstanding
(Estimates, in millions of dollars)

Type of Credit	June 30, 1961	Increase or decrease (−) during:		
		June		Year ended June 30, 1961
		Unadj.	Sea. Adj.	
Instalment credit, total	42,441	314	100	689
Automobile paper	17,358	116	− 39	− 397
Other consumer goods paper	10,666	64	53	204
Repair and modernization loans	2,958	15	7	53
Personal loans	11,459	119	79	829
Noninstalment credit, total[1]	12,345	82	99	435
Single-payment loans	4,547	23	31	253
Charge accounts[1]	4,349	75	45	− 74
Service credit	3,449	− 16	23	256
Total consumer credit[1]	54,786	396	199	1,124

[1]Includes amounts outstanding on service station and miscellaneous credit-card accounts and home-heating oil accounts, which totaled $439 million on June 30, 1961.

with stilted explanations; and constant association with suppliers.

▶Jantzen, a sportswear manufacturer, will concentrate its attention on the under-20 customer by holding live-talent jamborees with Teen Magazine in ten western department stores in cities from Seattle to Grand Rapids. According to Printers' Ink, Jantzen, with an eye on the bulging teen wallet, expects the shows, featuring the magazine's "Top Pop Stars" and backed up by complete promotion kits from the stores, to help top past fall sales records.

▶Montgomery Ward & Co. is reported to be opening catalog desks in three Pure Oil Co. service stations...Palatine and Fox Lake, Illinois and Greensboro, North Carolina. The test is the third merchandising experiment launched in the last month. The company recently converted three retail stores to self service operations with check-out lanes. Another test involves the use in a Chicago railroad station of an automated vending machine which dispenses 53 assorted items and makes change.

▶Credit-card company executives are keeping a close watch on a new type of air travel credit card which began making its appearance recently. Its special feature is a five per cent discount. The issuing organization...Air Travelers Credit Card, Inc., Hollywood...J. G. Harper, president. Harper issues cards only to very secure credit risks with a $425 deposit and $25 per year fee.

▶There is increasing talk in Washington of the possibility of direct Federal controls on wages and prices. The Administration is understood to have such a bill all set to send to Congress at the right psychological time. If this should come about, it is almost certain that credit controls would not be far behind.

▶Supreme Court Justice Tom Clark in a speech to the American Bar Association told an antitrust panel that "Business must clean house of hard core antitrust violations. If it does not, more businessmen may find themselves in jail, as Department of Justice officials have indicated." He went on to say that "lawyers can and should render a great service in this regard, not only to their clients but to their country. They can borrow the technique of the doctor who has developed a preventive medicine program for his patients. Lawyers must adopt the same principle to a preventive law program that will make certain that hard core violations of the act will at least be eliminated."

▶At present there is no evidence of any retailer scare-buying due to the Berlin crisis according to the big buying organizations. Stores are more optimistic than they were a year ago. Orders from our stores are more than 10 per cent ahead of last year. The last quarter of the year is expected to be exceptionally good.

▶In Russia, women now hold 45 per cent of all the industrial jobs in the Soviet Union and 58 per cent on the collective farms. Three Soviet doctors out of four are women as are 70 per cent of all teachers. Most Russian housewives have jobs and the rules encourage childbearing while working. Pay scales make two incomes advisable to maintain one family.

▶For the first time in several years, branch stores failed to swell total company sales, the National Retail Merchants Association, Controllers' Congress report on retail operations in the first quarter of 1961 indicates.

SALES PROMOTION
INTERVIEWING
INVESTIGATING
AUTHORIZING
BILLING
COLLECTIONS
CONTROL

The CREDIT CLINIC

A "give-and-take" page, wherein readers may ask—and answer—questions about their credit and collection problems and solve them in the laboratory of practical experience.

Home Furnishings, Home Improvements and Home Service Industries

QUESTION

"What is done with the customer whose account is continually past due, but pays when pressed? Should the account be closed after several such experiences? Should the customer be notified immediately that the account has been closed?"

ANSWERS

James Bell, Cloverlake Dairy Foods, Lubbock, Texas: There comes a time and place when every Credit Manager is faced with this type of customer, this indicates a collection problem, do all you can to get whatever information is available, it will be valuable in forming a realistic judgment on the customer's readiness and capacity to pay, it will be important to learn more than his immediate financial position. His personal situation or local business conditions may affect both his present problems and his prospects for the future. In this the first essential is *Tact:* most people are naturally sensitive about their credit standing. Clumsy inquiries can give needless offense. The second essential is *Skill:* this is to elicit confidential information as to why the customer is in such a difficult position, and still maintain satisfactory relationship. The third essential is *Diplomacy:* this is to have the ability to communicate persuasively and effectively with a positive feeling to be of service in some other direction despite the refusal. Your object is to say *"No"* in such a way as to retain good will. Do not overdo the apologies; a courteous explanation is more convincing than any apology.

John A. Broom, Jr., Cate-McLaurin Company, Columbia, South Carolina: Should we close an account which is continually past due, but one which pays when pressed—if we did this many "marginal" accounts would be closed and much business would be lost. We have had accounts such as this as long as we have been in business, customers who will take a "Free Ride," and we will always have them. Most of those customers are fully responsible for their debts, but are careless in paying when due. These customers procrastinate from one day to the next, or even one month to the next, and, I think, many times enjoy lavish living at our expense. These accounts are valuable to us, over a period of years, so I do not feel that they should be closed. After all, why do we need Credit Sales Managers if we accept only the good risks on the books? By handling this "prima donna" type account with tact and finesse we justify our jobs in the credit business. The "marginal" account purchases could well be the difference in our business making a profit and taking a loss.

Jack W. Carbaugh, Credit Manager, Wm. H. Roberts & Sons, Inc., Indianapolis, Indiana: Being in the dairy business, a "Home Service" type of business we extend a maximum credit of 30 days. Naturally, some of these accounts which become past due, we continue to service in the same manner as a current up-to-date account. The reason for this being: length of time customer has been served, past credit experience, adverse personal conditions beyond their control, and etc. While continuing to serve an account such as this, we apply a dollar and cent limit of credit and upon each payment by the customer, when pressed, we then lower this limit. By this process, we find we eventually get the customer back on a current paying basis. Taking into consideration all the above reasons for attempting to maintain the customer's business, if we find we are not successful, we then resort to notifying him that his account is past due and we can no longer serve him.

D. A. Corskie, Credit Manager, Exchange Lumber & Manufacturing Company, Spokane, Washington: While the case quoted here falls into the wholesale category, I believe the elements apply also, and equally, to a retail transaction. 1960 being a "break-even" year for this firm, it was necessary to assess several of our accounts realistically on the basis of "What is the profit potential to this company?" Results were not uniform, but our conclusions were. Case in point: Dealer account with average monthly purchases of $2,500.00. Long our consistent customer, payments to us had been in the 30-60 day range although payments to other suppliers ranged from 60 days to six months. It was obvious that even the 30-60 day basis was in jeopardy should other suppliers act to collect. Letters brought no results and demand was made for payment in full when the account hit the 90-day column. Payment was received in full before our stated deadline for action was reached. Discussion with the customer, whose net worth is good, elicited his promise to discount all purchases and we reopened. When, after three months' accounts had been discounted, the account again became past due, we notified customer that he was in default of his agreement with us, that a 90-day delinquency takes all the profit out of a transaction in our line of business, that he was C.O.D. as of that date and that, should payment in full not be realized by end of current month, permanent C.O.D. status was our only alternative. Payment has been received and account is permanently C.O.D. We are doing less business with him, but it is profitable business. Our case was consistently presented to him in a friendly, courteous and logical manner and on the basis that his delinquency was a mutual problem common to both him and us. He now knows, for the first time, what is expected of him as a credit customer and is taking steps to correct his situation. When that is accomplished, we anticipate taking him on again as an open-account customer. All I have said is that a properly-educated customer is a good customer. Customer education offers, in our book, the greatest potential to a credit department—in fact, the greatest profit potential to our firm.

L. A. Dudding, Secretary and Credit Manager, Galperin Music Company, Charleston, West Virginia: She should be called to the Credit Office to determine if she remembers the terms of her agreement with the store. If there is any question in her mind the terms should be explained again and the importance of adhering to them. The answer to both questions, should the account be closed after several such experiences and should the customer be notified immediately that the account has been closed, is yes. We are all in the business to make a profit and to serve our customers. If the expense of collecting the account exceeds the profit then of course we would be better off if we did not make the charge. We have made some good cash customers by selling the idea to the person that it would be to her advantage to wait until she had the cash to make the purchase. When the charge account is closed the customer should be advised immediately that her account is closed. This will save both the store and the customer embarrassment later if she should request further charges.

Alexander Harding, Credit Manager, John H. Pray & Sons Company, Boston, Massachusetts: It would appear the length of time the account is past due is a very important factor in this question. If the account is set up on a monthly payment basis and it is continually one or two payments behind but pays when pressed then I would say you have the average account. If all accounts paid without being dunned, or pressed, we would be indeed fortunate. If your customer is one of those who falls into the category of being "slow but honest" and the account is paid out within a "reasonable" time after the due date I would hesitate to close the account. I would suggest when the customer comes in for a new purchase that you try, through a frank and sincere talk with the customer, to educate her and probably convert the account from a "past due" to a "prompt pay." This is the sort of account that requires constant education. If your decision is to close the account the customer is certainly entitled to the courtesy of being told. I think you might create more ill will by not telling the customer her account is closed and have her shop in your store and learn at that time that her account was closed some time ago. She is embarrassed, rightly or wrongly is not the question, and this could be avoided if she was told at the time the account is closed.

P. A. Howell, Credit Manager, Hemenway Furniture Company, Inc., Shreveport, Louisiana: I would think that this question is a "bigger" problem to the department stores and the ladies' and mens' clothing stores than it is to the furniture stores. However, we have this problem in the retail furniture stores, too. At Hemenway's we have a strict follow-up on all our accounts. We start our requests for payment immediately after the 10th of the second month following the month in which the purchase was made on our open 30-day accounts. The follow-up is at 10-day intervals. Three past-due notice requests for payment are mailed, then, the account is referred to the Credit Manager, who calls the customer, if possible, or handles the account for collection by letter. After the account has become past due, no charge is accepted to the account without the Credit Department interviewing the customer. When the account is paid out, the ledger card is marked to refer the customer to the credit office before accepting any further charges. On our instalment payment plan accounts, we start our collection follow-up five days after the payment is due. Three notices requesting payment are sent at five-day intervals, then, the account is referred to the Credit Manager for special collection handling. The customer is referred to the Credit Department on any add-on to an instalment account or any new purchase on an instalment payment plan. If the account is paid out in an unsatisfactory manner, the matter is gone into with the customer at that time and, if a satisfactory explanation is made and the Credit Department has information to substantiate the customer's claim that this account will be paid off in a satisfactory manner, then, the purchase is approved. Otherwise, it is rejected. I think that a close follow-up of all accounts, whether 30-day or divided payment plan, will give the Credit Department the proper answer to this question.

June H. Hunter, Office Manager, Sunshine Dairy, Decatur, Illinois: In my experiences in collecting habitually past-due accounts, I take into consideration the length of time the account has been open. In our industry we have accounts which have been active for a period of 20 or 30 years and have always been in arrears, from 60 to 90 days. On some of these accounts they will wait until I call and then pay up in full, when they are past due another period of time I have to call again and they pay, some are just in that habit. I do not cut this customer off. If I did I would lose some of my best accounts. My losses are very small using this practice. Of course on this type customer I get a credit report from the Bureau. I have one eccentric customer who pays his bill once a year, and has for at least the past ten years.

L. M. Linxwiler, Credit Manager, O'Malley's Building Materials, Phoenix, Arizona: In the first place, we continually point out and try to impress him with the importance of his paying on time. We usually find that the customer who is always behind in his payments has some basic reason for his slowness: Perhaps (one) his overhead is too high, or (two) his jobs are not being estimated high enough to give him his necessary profit in the job, or (three) his personal living habits are more expensive than he can afford. Of course we endeavor to point out to him where his troubles lie and try to get him to "straighten up and fly right." All of this is part of the education plan we use before we take the drastic action of closing his account as a last resort. Prior to closing the account, however, we again review his current strength, the size of the account and the price (profit) structure under which he has been sold. In every case, we must advise the customer that his account is being closed and why. Sometimes that slow payer can be salvaged before we are forced to close his account.

J. W. MacDonald, Credit Manager, Valley Lumber Yards Ltd., New Westminster, B.C., Canada: This type of customer has apparently never been impressed with or educated to a sense of obligation to his creditors. If the account is of worthwhile proportions it may have to be handled separately. At any given month end or invoice mailing date enclose a Credit Bureau letter or memo pointing out the advantages of a select credit rating and how neglect of proper paying habits can work to his disadvantage. If this suggestion is ignored, immediately notify him that credit privileges are being suspended and your experience reported to the local Credit Bureau. This notice should go from the Credit Manager and should point out that his ability to deal on a credit basis will always depend on a willingness to comply with vendor terms. If the account has only casual use for limited amounts do not hesitate to close it, but at all times most certainly advise the debtor why such action is being taken. We believe this can be a valuable part of general credit education.

Harry W. McMillan, General Credit Manager, The Borden Company, Detroit, Michigan: This type of customer is always a constant problem for the Credit and Collection Department, and we will always have our normal percentage of them. So, we just have to live with them so long as we care to continue to do business with them. The fact that this customer is continually past due, but pays when pressed, in my opinion, does not warrant the closing of the account because of several such experiences. If it becomes absolutely necessary to close the account, good business practice and customer relations make it mandatory to notify the customer of your action. There is generally an underlying reason for a customer to fall into this classification and it is the Credit and Collection Department's obligation and responsibility to try to find out this reason. If successful in learning the reason, this customer may be converted into a prompt paying and worthwhile customer. The above answer to the question indicates a tendency on my part to be interested in sales as well as credit and collections. This particular kind of customer is just part of the job—some good, some not so good, and some just no good. We cannot have our cake and eat it too; consequently, we should always remember we are dealing with human beings with feelings like ourselves, and that they may be victims of situations, circumstances or events beyond their control.

Archie C. Norton, Credit Sales Manager, Lyon Lumber Company, Decatur, Illinois: This type of customer is always with us, and I am constantly working towards making him one of our best paying accounts . . . we have never lost any money on him, but he needs help. I do not shut him off, without giving him a final chance to pay according to our terms. I tell him that if he will pay by the tenth of the following month, I will be able to give the Credit Bureau a good report on him and in turn he will be helping himself to get off the "Slow but pays" rating. Then after the final opportunity to meet our credit requirements, he fails his obligation, we notify him after receipt of his late payment, that his account is closed. We then invite his business on a "cash only" basis.

E. E. Paddon, Manager, Credit Sales Department, Lammert Furniture Company, St. Louis, Missouri: That would depend: First; on how close a follow-up we could maintain on our accounts and how long we had to carry the account when exerting collection pressure before receiving payment. Second, if it is our policy to charge a service charge at one and one-half per cent per month on accounts that are not paid in 60 days, would the customer pay the service charge without complaint. Third, I have found it most difficult to close the account of a good customer who may be habitually three or four, or even five months slow, as they are paying our service charge and there is no indication of over-buying on the account. I would consider an account of this nature, as a "Slow pay account," far more desirable than the account of a customer who deliberately over-buys with no thought of prompt liquidation. I believe that the service charge of one and one-half per cent per month would do a whole lot more for any store in avoiding habitually slow paying customers and still retain their good will than any action the Credit Department might otherwise take.

V. W. Phillips, Credit Manager, Foremost Dairies, Inc., San Jose, California: The continually past-due customer has been a problem and a constant headache to the credit executive since the beginning of credit selling. Frankly, I do not think the account should be closed until an honest effort has been made to get the customer on a current basis. We spend a considerable amount of money getting a new customer on the books; let us try to make this investment pay off. It seems to me that we are often inclined to take the easy way out: "Close the account to further charges," when a good selling program might get the account current and in a position to buy more merchandise. If efforts to bring the customer in line with your terms fail the account should be closed and he should be notified immediately.

Sam O. Shaw, Cabaniss-Brown Furniture Company, Austin, Texas: We are a home furnishings firm that have both open and budget accounts, and believe that your question refers mostly to open accounts. After two or three slow paying open charges we limit the customer to budget accounts only. We set the account up on one year with the finance charge included, and with the understanding that he will be entitled to a full discount if he pays in full within the specified time. Usually the customer will redeem himself into our good graces by earning his discount. As to budget accounts, we restrict and limit them for a various number of reasons, but only the profit and loss accounts are closed. We believe that a man's credit changes like the tide, and a collection problem of 1956 may be worthy of reconsideration today.

Mrs. Arline H. Taylor, Credit Manager, Bray & Jordan Pharmacies, Inc., Austin, Texas: To the customer who is continually past due, but eventually pays when pressed, we continue to sell . . . that is, provided the potential is there for payment and it is just a case of "slow pay" by neglect or carelessness on the part of the customer. We quite often find this in our "high middle" and higher income brackets. In the drug business, when a customer is slow in payment, we try first to determine the reason for this slowness and if it for some legitimate reason, we try to work with him in his difficulty. However, if he has simply run up a large balance and has very little potential and is just enjoying "living beyond his means" at our expense, and his purchases are not medical necessities, then we close his account until paid in full. We only reopen such an account after it is paid and then tell the customer that it must be on a strictly 30 days basis. If he again abuses the account, we then close it permanently. (Perhaps I should add here that we have nine stores, and sell an abundance of items other than prescriptions and medications.) The customer's attitude has a great deal to do with our action in the cases of slow payment. The one that is troublesome, difficult to collect from (even though he finally pays) is one that we will usually, after several such instances, close—not to be reopened. This is the type customer who is always complaining, claiming he paid on delivery (but he cannot find his paid ticket), or he was overcharged, or his deliveries were late, etc. We find we must eventually let the competitor have him. However, this is not done until all efforts have been exhausted in trying to educate him and check out all his "complaints". Perhaps the account of that customer who just "puts you off" until finally pressed into payment, should be closed after several such experiences, but with business as competitive as it is today, we continue to sell to those whom we feel are just slow, but who will pay. We just continue to remind them of the past-due balances and eventually we get the payments—late of course—but at the same time we are still selling them merchandise. We are the only drug firm in our locality who offers Option Credit, and we feel that this has helped the chronic "slow payer" considerably. We highly recommend it. I definitely feel that the customer should be notified immediately by mail that such action as closing the account has been taken. We owe him this courtesy and it will save embarrassment to the customer and to our sales personnel in the stores.

YOU CAN SAVE FROM $5,000 TO $50,000 A YEAR!

That's the author's guarantee on the basis of his record with America's leading companies!

The book the credit manager has been asking for! . . .

Credit And Collection Letters

New Techniques to Make Them Work!

This book will sharpen your skill at writing letters that collect money *quickly* . . . at low cost . . . *and without offending customers.* It is written by Richard H. Morris, the man the *Saturday Evening Post* calls the "nation's leading authority on business letters."

Head of R. H. Morris Associates, Correspondence Consultants, Dick Morris has helped these clients write better collection letters: Lord & Taylor, J. L. Hudson, Strawbridge & Clothier, du Pont, Eastman Kodak, and a host of other wholesale, retail, industrial, and service companies.

Indispensable To Every Cost-Minded And Customer-Conscious Executive!

- The first section is a condensed course on how to write credit and collection letters that are different and friendly, yet have added pulling power. Scores of examples give you ideas to put into immediate practice.
- 150 famous Morris Guide and Form Letters that can handle 75 per cent of the situations that arise in your department, and thus drastically cut dictation and typing. These cover two complete series of Collection Notices and Letters, Approving or Turning Down Credit, Extension and Discounts, Financial Statements, Partial Payments, Orders, and others.
- 25 Special Change-of-Pace Letters that have been unusually successful in collecting money when all else has failed.
- 30 Congratulatory, Condolence, and other Special Event Letters to build good will and increase sales. The kind you know you should write, but never find time for when the occasion arises.

And many other Morris writing and training techniques *never before described* in any book.

So different is this 256-page volume that for the first time in many years the National Association of Credit Management has put its seal of recognition on such a book. "This is the best there is—practical, authoritative, and applicable to every type of business," says Alan S. Jeffrey, executive vice-president of the NACM. "CREDIT AND COLLECTION LETTERS is a book that needed to be written. The author's new concepts and techniques are like a refreshing breeze among the time-worn, tired letters so familiar to all credit executives."

START SAVING TODAY. EVERY MEMBER OF YOUR STAFF SHOULD HAVE A COPY. SAVE 10% ON QUANTITY ORDERS! SPECIFY THE NUMBER YOU NEED!

NATIONAL RETAIL CREDIT ASSOCIATION
375 Jackson Avenue
St. Louis 30, Missouri

Please enter my order for ________ copies of CREDIT AND COLLECTION LETTERS, by Richard H. Morris. (Single copy, $5.95; special discount of 10 per cent on five or more copies.)

☐ Payment enclosed. (Note: Postage is paid by NACM if payment accompanies order).

☐ Please bill undersigned:

Name ____________________

Firm Name ____________________

Address ____________________

City ____________ Zone ______ State ____________

Four Timely and Essential Credit Management Tools

(1)

GUARANTEE and WAIVER

I, ... (Name of Guarantor) ...., in consideration of the extension of credit by .... (Seller) .... to .... (Name and Address of Buyer) .... in the sum of $............ for the purchase of .... (Description of Merchandise) ...., 19 ... as evidenced by a contract in writing dated........................ do hereby guarantee to the said........................ (Seller) all and any payments under the said contract, and I do hereby waive notice of default and all rights and benefits to which I may be entitled under subsections 1, 2, and 4* of Section 103 of the Act of Congress of October 17, 1940, being Public Law No. 861, 76th Congress, as amended by Section 2 of the Act of Congress of October 6, 1942, being Public Law No. 732, 77th Congress, this Guarantee and Waiver to be binding on my heirs, executors, administrators and assigns.

Signed this ...... day of ...., 19 ..., City .... State ....

Signature ....

Witness .... Address ....

Address .... City ....

*Printed on other side of this form

(2)

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT WAIVER

I, ... in consideration of the extension of credit by .... (Creditor) to .... (Name and Address of Debtor) in the sum of $............, as evidenced by contract/note dated ...., 19 ... which I have signed, endorsed, guaranteed, do hereby waive all rights and benefits to which I may be entitled under subsections 1, 2 and 4* of Section 103 of the Act of Congress of October 17, 1940, being Public Law No. 861, 76th Congress, as amended by Sections 2 and 3 of the Act of Congress of October 6, 1942, being Public Law No. 732, 77th Congress, this Waiver to be binding on my heirs, executors, administrators and assigns.

Signed this ...... day of ...., 19 ..., City .... State ....

Witness .... Signature ....

Address .... Address ....

City ....

*Printed on other side of this form

(3)

"Guard Your Credit as a Sacred Trust"

COURTESY CHARGE TICKET

Firm Name & Address

Customer's Name Date

Address Tel. No.

This is a COURTESY charge purchase. In order for you to continue to charge additional items, we invite you to open a convenient REGULAR charge account at this store. Simply fill in the information requested on the reverse side of this ticket and return it to our credit office.

Quantity Item Price

I agree to pay for the charges listed above not later than 19

(Signature of Purchaser)

All Credit Applications are Checked with the Credit Bureau

APPLICATION FOR REGULAR CHARGE ACCOUNT

Name

Address

Employed by

Income When paid?

Trade References

1.

2.

3.

Bank Reference

Wife's name

Wife employed by

Her salary When paid?

Name and address of nearest relative

Amount of credit desired

I agree to make payment of my monthly charge accounts

to on

not later than the 10th day of each month following the month of purchases

(Signature)

(Date)

(4)

Our Credit Service Policy

1. We welcome your charge account. We will offer you immediate credit service if
You are a resident of this community.
You are steadily employed.
You have a good paying record.
2. Our credit service includes several types of accounts tailored to meet your needs. For example

Monthly Charge Accounts
Payable in full upon receipt of statement.

Convenient Budget Payment Accounts
Arranged to meet your financial requirements. Payments due according to agreement.

3. Past due accounts, when charged off for cause, are listed with your local Credit Bureau.
4. We subscribe to The Code of Ethics of the National Retail Credit Association.

"Guard Your Credit as a Sacred Trust"

No. 1. This is Guarantee and Waiver form. Guarantors receive the same benefits as service men under the Soldiers' and Sailors' Civil Relief Act. They may waive their rights to these benefits if they do so in a written instrument separate from the obligation itself. Size 4" x 6". 1,000, $4.00; 500, $2.50.

No. 2. This form is to be signed by the applicant for credit, waiving the individual's rights and benefits under the Soldiers' and Sailors' Civil Relief Act. Printed on the reverse side is part of the act explaining the necessary procedure. Size 4" x 6". 1,000, $4.00; 500, $2.50.

No. 3. Here is a very useful form for which we have received numerous requests. It is a Courtesy Charge Ticket. On the reverse side, is the application for regular charge account. This form should be in every credit office. Its use will save many dollars often lost in these "no account" items. Size 3¾" x 9". 1,000, $5.00; 500, $3.00.

No. 4. This valuable little form explains your credit service policy. It should be given to every new applicant for credit. One should also be enclosed in the "acceptance of credit" letter and with routine reminders. Size 3¼" x 5½". 1,000, $5.00; 500, $3.00.

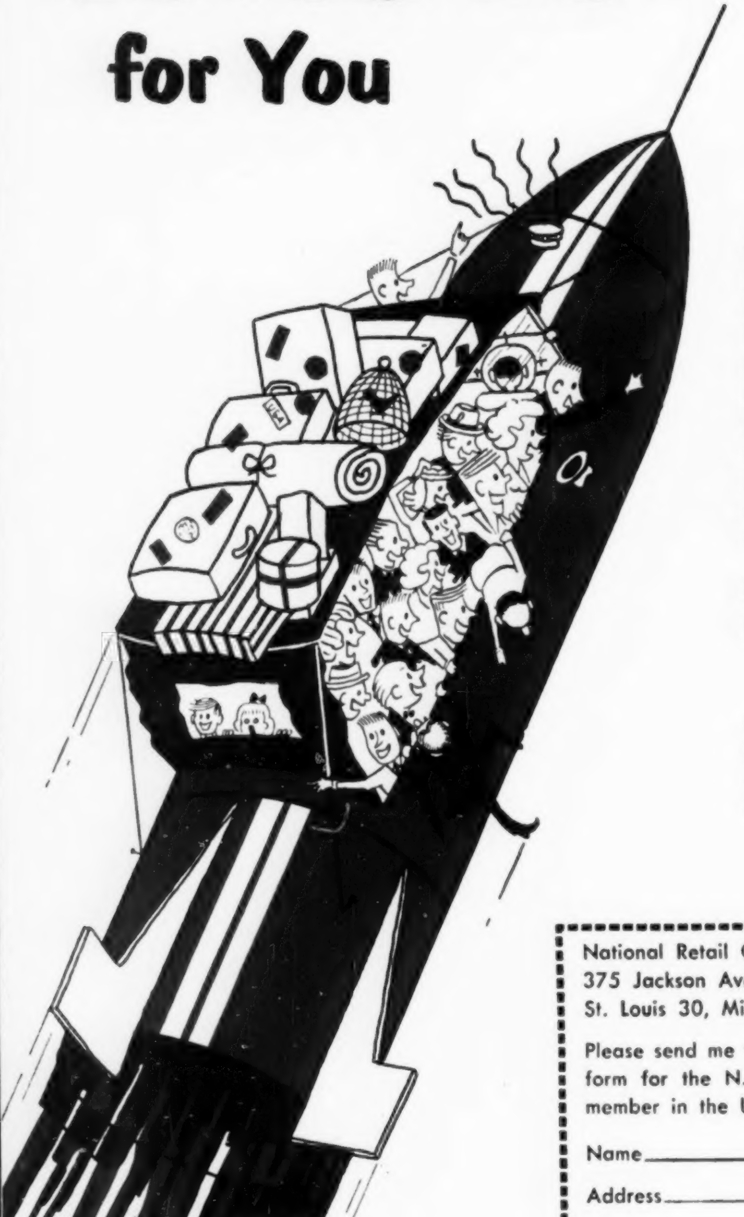
All orders post paid. ORDER NOW FOR IMMEDIATE DELIVERY.

NATIONAL RETAIL CREDIT ASSOCIATION

375 JACKSON AVENUE ST. LOUIS 30, MISSOURI

MR. EUGENE B. POWER
UNIVERSITY MICROFILMS
313 NO. FIRST ST.
ANN ARBOR, MICH.

Group Insurance is LOADED with Benefits for You



Yes It Is!

and your fellow NRCA members are taking advantage of these benefits. Since December 1, 1959 when the Plan went into effect, more than 2,300 members have already enrolled for more than ten million dollars worth of Group Life Insurance.

Remember . . . your NRCA Group Insurance Plan offers you maximum protection at minimum cost because it is administered through your own Association office.

SIGN UP NOW IN ORDER TO BE INCLUDED IN THE NEXT ENROLLMENT DATE

DECEMBER 1, 1961

so what better time than right now to sign up for this valuable protection that comes to you as a benefit of NRCA membership.

"31 Claims Paid To Date Amounting To $146,000.00"

National Retail Credit Association
375 Jackson Avenue
St. Louis 30, Missouri

Please send me without obligation details and an application form for the N.R.C.A. Group Life Insurance Plan. I am a member in the United States ( ) in Canada ( ).

Name ______________________________

Address ______________________________

City ______________________________